Committed to empowering a brighter future.

MUFG Report 2021
Integrated Report
MUFG’s Pursuit of Value Creation

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Committed to empowering a brighter future.

A new Green Bond project, sharply focused on financing renewable energy and energy-saving projects, is set to launch.

We acted fast establish a medical fund worth a total of ¥10.0 billion to facilitate the development of vaccines and remedies.

Editorial Overview
To best explain our efforts to create sustained value to our investors and other stakeholders, we, Mitsubishi UFJ Financial Group, or MUFG, have compiled this integrated report, MUFG Report 2021, with references to such guidelines as the framework provided by the International Integrated Reporting Council (IRC) as well as the Guidance for Collaborative Value Creation issued by the Ministry of Economy, Trade and Industry.

Further details on our financial status and sustainability initiatives are available on our website. In addition, our plans for rearing the MUFG Sustainability Report 2021, a publication detailing our response to sustainability issues, in autumn 2021.

A private-sector foundation established in 2010 by companies, investors, accounting organizations and administrative agencies to develop an international framework for corporate reporting.

Definitions of Specific Terms Used in This Report

Disclaimer
This report contains forward-looking statements with regard to the domestic economic outlook, forecasts, targets and milestones of Mitsubishi UFJ Financial Group, Inc. and its subsidiaries and affiliates. 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 this document was produced. In producing these forward-looking statements, certain assumptions (promises) 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.
MUFG Way

MUFG has newly defined its Purpose while formulating the MUFG Way (previously the Corporate Vision) in line with this Purpose. The MUFG Way is designed to provide guiding principles for all our business activities and consists of our Purpose, Values and Vision.

MUFG Way

Purpose
Committed to empowering a brighter future.

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

Vision
Be the world’s most trusted financial group

MUFG Way

Purpose
Committed to empowering a brighter future.

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

Vision
Be the world’s most trusted financial group

Code of Conduct

Committed to empowering a brighter future.

Today, all of our stakeholders are striving to overcome challenges and find a way to the next stage toward sustainable growth. We at MUFG will make every effort to help realize these goals. This will be our unchanging purpose now, and into the future.

In addition to our unchanging primary value of Integrity and Responsibility, we also value Professionalism and Teamwork and will Challenge Ourselves to Grow.

By empowering our stakeholders to find a way to the next stage toward sustainable growth, we will make every effort to become an indispensable partner for them and to be the world’s most trusted financial group.

To Empower All Our Stakeholders

The challenges faced by our stakeholders will be the starting point for our strategic proposals and their execution. Through our actions, we will help all of our stakeholders resolve challenges confronting them.

To empower our customers and business partners
Across generations, we will empower our customers to achieve a quality of life that affirms who they are. We will assist our customers in thriving amid these rapidly changing times and achieving sustainable growth.

To empower our communities and society
We will make our society more resilient by upgrading the reliability and stability of our functions and by pursuing innovation. We will contribute to the digital shift across society.

To empower the future generations
We will help create a world in which human society and the natural environment can co-exist in harmony.

To enable the employees of MUFG
We will provide our employees with opportunities for personal growth and offer an environment in which they can direct their energies into working with a sense of fulfillment.

To empower shareholders
We will live up to shareholder expectations by continuously enhancing our business sustainability and corporate value.

Reorganized Positioning of Business Strategies Based on Purpose

To live up to our commitment to empowering a brighter future in line with our Purpose, over the next three years we will implement the business strategies presented below, leveraging our strengths to address the issues our stakeholders are facing.

For the detail of our New Medium-Term Business Plan (MTBP), please also refer to pages 31–34.
Declaring Our Purpose

Over the past couple of years – particularly since the pandemic began to force deep institutional and behavioral changes across society – I found myself asking, “What ultimate relevant purpose should MUFG be serving today?”

We of course have long understood our practical function as a financial institution. But how we expressed our vision and mission has been hard to intuit. We needed a direct, simple phrase to capture why we take pride in our work and believe it’s vital. So I took out a pen and wrote the following as a rough draft: “We provide safe, secure and highly convenient financial services that customers can delight in using.” Obviously, this was just a start, but it prompted opinions from others throughout the organization, and we embarked on an energetic discussion to refine our thinking.

Our fundamental question was how MUFG can equip stakeholders to deal effectively with drastic shifts in social and lifestyle norms. We agreed we feel a profound duty to act as a partner for customers and communities, moving forward alongside them, and sometimes taking the lead in instituting beneficial change.

This is how we arrived at the phrase, Committed to empowering a brighter future. And today, this is how we now define our purpose.

MUFG aspires to support our customers, employees, shareholders, investors and all other stakeholders in their ‘next step forward’ – whatever positive step they wish that to be, and to act as a constructive force for the earth’s natural environment and society as a whole.

As a result of this collective exercise – in itself an emblematic process of collaborative engagement – we’ve vitalized our management vision, as presented in The MUFG Way, and positioned our Purpose at its center.

Assessing Our Environment & Challenges

How then do we help our stakeholders take that next step forward?

We start by addressing two society-altering sea changes: Digital and Green.

Regarding the first, manifestations of finance’s role in a Digital society have clearly arrived. Money itself is morphing toward a form of pure data, so financial services are becoming a subset of digital services. Once these services are fully digitalized, data regarding consumer behavior will be handled like settlement and other transactional data. In this way, finance is becoming a ubiquitous service connected to a vast spectrum of life events and transactional scenarios.

Regarding Green, climate change is an existential threat to humanity, and in my view should be the highest-priority item on the international community’s agenda. For its part, the Japanese government has issued a carbon neutrality declaration, and other efforts to address the issue are gaining momentum across a variety of fields. The trend may well induce drastic structural shifts, including in the industrial sector.

Finance is playing more of a central role in these two trends, and we expect major business opportunities to emerge as a result. Some novel financial services from industry newcomers are rising in popularity, but financing must be extended safely, securely and consistently. This is why we are confident that the trust MUFG has earned over the years places us in a position of strength and stability as society navigates disruptive trends. We are also positioned to be bold innovators; the fact is, our Group operations have deep, unique capabilities to meet a wide range of needs arising from shifts in industrial structure.

We’re equipping ourselves to analyze such shifts with accuracy, and to find opportunities in trends...
Message from the CEO

like Digital and Green to fuel significant growth – for ourselves and our clientele. In the coming era, we intend to pioneer mechanisms that extract value from the digital shift, address climate-change issues and solve social problems caused by these and other forces.

Meanwhile, the traditional business environment for banking remains harsh. With slow economic expansion and low interest rates as the lingering norm, we can no longer rely on established patterns of our commercial business to generate substantial growth. In this rapidly changing environment – accelerated by pandemic-fueled upheavals – our relevance depends on more than just business-as-usual banking.

Our Previous Three-Year-Plan

Our aim throughout the three years of our previous Medium-Term Business Plan – under the banner of the MUFG Re-Imagining Strategy – was the transition to a business model adaptable to a low interest rate environment. These three years were positioned as the first half of a six-year course of structural reforms.

Our New Medium-Term Business Plan

One key step was to change our approach to creating our three-year plan.

This time, we began our planning through intense, open discussions among senior leadership throughout the MUFG constellation, starting a year in advance with multiple online sessions. We examined our strengths and obstacles to shape a shared view of our future, with not only business but also social forces sharply in mind.

We agreed that MUFG’s distinctive strength lies in our customer base and brand recognition, cultivated over decades, if not centuries; and also in our safe and secure financial infrastructure, our comprehensively capable Group operations and our extensive network with global reach. We respected the imperative to maintain unparalleled strength in our home market if we are to be relevant on the world stage.

On the other hand, we accepted that a number of issues need serious attention. These include our too-conservative culture – a weakness when addressing customer needs – and our lack of flexibility and executional speed.

So we devoted considerable effort in the summer of 2020 deliberating what MUFG should aim to be in these times. We did this with the emblematic backdrop of our pandemic response, which showcased our company as a resilient institution society can rely on, with trust, when society itself is struggling. Our business-group heads and their teams then began forming strategies, with outside directors invited to add their multifaceted perspectives to our lively discussions.

The result was our new Medium-Term Business Plan. Through the next three years, this MTBP will guide our transformation into what we aspire to be: The premier business partner that pioneers the future through the power of finance and digital services by developing and deploying a business model aligned with Digital, Green and other pertinent megatrends.

One key word for this transformation is speed, which is tied to our tolerance for risk. We will always be prudent, but we cannot allow slow decision-making or excessive risk-aversion to make us hesitate to address tough changes.

We’ve made steady progress on certain transformation initiatives by applying our “re-imagining” strategies. We’ve also identified new issues. For instance, despite headway in developing a structure to support initiatives in such businesses as wealth management, institutional investors, and Global Corporate & Investment Banking, we still face issues in monetizing each of these categories.

We also fell short of targets for ROE and expense ratio under our previous MTBP. Although these shortcomings were due in part to pandemic fallout, I attribute them more to the following: First, our plan for improving ROE depended too much on the size of profit, which we could not raise to the expected level because of low interest rates. Second, we weren’t agile enough to respond quickly to changes in the environment, despite strategic adjustments we had made through our previous MTBP, to tighten cost controls and thus make us more nimble.

All members of MUFG management, myself included, share an unprecedented sense of crisis as we face the stark reality of not meeting our MTBP targets for a second consecutive term. We’re very aware that in order to flourish, we must do much more than simply fortify the status quo.

What might we do?

Our New Medium-Term Business Plan

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Message from the CEO

head-on. So we’ve positioned the new MTBP as three years of new challenges and transformation beginning in 2021. We’ve defined three strategic pillars: Corporate Transformation, or changing how we operate and execute; Strategies for Growth, or strengthening profitability; and Structural Reforms, or ensuring resilience.

A primary target of our new plan is to raise ROE to 7.5% in fiscal 2023. To help achieve this, we’ve set associated targets for profits, expenses and risk-weighted assets (RWAs). We intend to strengthen control of our resources, solidify our domestic business revenue base and render our global business more resilient – all with the aim of being consistently capable of at least ¥1 trillion in profits attributable to owners of the parent. To be clear, this target simply represents our strong commitment to higher profits and in no way implies we will be satisfied with a ¥1 trillion level. Moreover, our ROE target of 7.5% for fiscal 2023 also is simply a milestone. Over the medium- to long-term, we aim for an ROE of 9% to 10%.

With this in mind, let me elaborate on the plan’s first pillar, Corporate Transformation. This pillar is built on three initiatives: Digital transformation, addressing environmental & social issues and transforming our corporate culture.

Digital Transformation

Lifestyle norms have been radically reshaped in the past decade. We read news through electronic displays, many of them portable; we immerse ourselves in social network services; we shop at e-commerce websites that ship all manner of goods to our homes with a tap. A virtual universe of knowledge is at our fingertips. We casually and impulsively take pictures and videos with portable devices. And so on and so on. Amazing changes – but not the deliberate outcome of hard work by consumers. The transition to these digitally driven lifestyle norms has been organic. With repeated short learning curves, transformation on the consumer side has gone pretty smoothly.

In contrast, corporations too often still rely on paper documents and physical systems that move them around. Some institutions even require customers to place personal seals on paper forms, on site and in person. Originally, these conventions were put in place to protect customers; today, they can be annoyances that drive them away. We need to rethink every process from the customer perspective and adapt to current (and impending) realities.

To transform in pace with the customer’s world, we must make, and execute, decisions with precision and speed. This is why we established the Digital Service Business Group in April 2021. This group is tasked with providing highly convenient value-added customer services online (also through offline channels) using digital technologies, so our customers can conduct key transactions online, anytime, anywhere. We intend to deliver products finely tuned to diverse customer lifestyles through digital technologies as a matter of course.

The group is also spearheading across-the-board digital transformation to make us far more efficient as an organization. We will step up collaboration with external business operators to build out our Banking as a Service (BaaS) model that offers our financial functions through application programming interface (API)-based connectivity to diverse digital channels. As our first step toward this model, we entered a business alliance with NTT DOCOMO in May 2021.

Our intention is to become a financial and digital platform operator that supports the digital shift of society as a whole, in collaboration with partners where appropriate.

Addressing Environmental & Social Issues

We know MUFG’s long-term health is tied to environmental and social responsibility, and management strives to balance our own growth strategies with duties. Our new MTBP steps up this approach and targets ten environmental and social priorities that each business group will address through its business strategies – with each strategy radiating from one of these priorities and tailored to the business group’s specific strengths.

To address environmental issues, we announced the MUFG Carbon Neutrality Declaration*1 in May 2021, a vigorous commitment – based on concrete action plans – to combat climate change. Simultaneously, we became the first financial institution in Japan to join the Net-Zero Banking Alliance (NZBA)*2 launched by the United Nations Environment Programme Finance Initiative (UNEP FI). Applying substantive input from dialogue with investors, we will identify and commit – with clarity and transparency – to specific targets for action.

We’ve also introduced a heightened metric for ESG-related external ratings – a new Key Performance Indicator for all executive officers, tied to their remuneration. This is meant to elicit commitment from leaders to support carbon neutrality and the effectiveness of our sustainability-oriented management philosophy.

Levering our gravitas as a business to drive decarbonization aligns with our newly stated Purpose: Committed to empowering a brighter future. In addition to our own ‘green’ commitments, we will extend an even broader range of financing to customers offering innovations and initiatives that promote carbon neutrality.

To address social issues, we’re keenly focused on inclusion & diversity, and because of upheavals caused by the pandemic, we believe people are primed to help shape an uncertain future by embracing positive social change. As an organization, we wish to seize this moment to share diverse perspectives and infuse new ideas into our own workplace, not just the market.

To improve gender diversity at our leadership levels, we’ve set a target of raising the ratio of women holding positions of line manager or higher to 18% in our Japan operations by 2023. Among officer ranks – although the current number of females is still small – three women were appointed as managing corporate executives in 2021.

The pandemic also accelerated interest in so-called “smart” workstyle systems that let employees choose working hours and locations. We believe this system encourages flexibility in career opportunities, and we intend to maintain it after the pandemic is contained.

Our plans also call for constructing a new MUFG headquarters building. We wish it to not only symbolize but actively foster innovation, diverse thinking, sharing and flexible workstyles, dovetailing with our groupwide integrated management approach.

Transforming Our Corporate Culture

Because culture touches everything we do, this is perhaps our most important transformation initiative. It’s imperative that MUFG operates with an open-minded, speed-oriented global team of employees who resonate with management’s vision, think and act spontaneously and welcome innovation.

Naturally, customer safety and security remain our top priorities, and are supported by conservative legacy operational rules and procedures at every level. From this perspective, our enterprise is rock-solid. But we also need an
open perspective on innovation and initiatives that lead to transformation.

The dilemma is understandable; MUFG’s corporate culture has always focused on prudence above all; this explains our insistence – at times excessive – on risk aversion, and our sluggish process of making decisions. But while prudence certainly has its place, we also need a decisive, speed-oriented culture that frees everyone to share what they think, encourages individuals and teams to take on challenges and gives second chances to those who have setbacks.

Changing a culture is probably the hardest job a leader can face, and requires relentless, honest communication. So I frequently engage directly with employees across the spectrum, in a variety of interactive settings.

For instance, in fiscal 2020, MUFG held more than 100 online town halls with 60,000 employees around the world, and along with other officers I participated in quite a few. I held fireside chats with a number of CEOs and exchanged ideas as younger colleagues listened and contributed. I also visited social entrepreneurs and engaged other high performers in various fields, with younger colleagues in attendance, to share thoughts on the future of finance. And I engaged in lively discourse with young employees who offered concrete proposals on how to improve our company. We’ve implemented some initiatives based on these exchanges, and I believe our robust communication may be taking real effect on how we think.

Capital Management & Shareholder Returns

In May 2021, MUFG announced our renewed target for capital management. Previously, our Common Equity Tier 1 (CET1) capital ratio was calculated using a variety of methods encompassing the finalized Basel III reforms basis and versions of the current regulation, both including and excluding net unrealized gains on available-for-sale securities. But the lack of a single, definitive calculation method has made it hard for investors to assess MUFG’s status.

So, in conjunction with our new MTBP, we’ve adopted a unified, easy-to-understand calculation method based on the finalized Basel III reforms, excluding net unrealized gains on available-for-sale securities, with our target for the CET1 capital ratio set at the 95% to 10.0% range. Premised on a CET1 capital ratio that falls within this range, we will maintain a policy of progressive dividends while making decisions on measures aimed at capital accumulation, additional shareholder returns and/or growth investments in light of prevailing circumstances.

From the perspective of capital utilization, under the previous MTBP we used capital to acquire Bank Danamon and FSI. In line with the new MTBP, we will switch our focus to securing returns from major investments we’ve already undertaken. However, we will consider the possibility of new investment in digital, overseas asset management and other select fields on an ongoing basis. Also, the gradual exemption of special treatment that allows our investment in Morgan Stanley to not be deducted from capital will completely expire in fiscal 2022. Therefore, we expect capital surplus to emerge during the new MTBP period. Taking these factors into account, we will keep enhancing the content of shareholder returns under our new MTBP, with dividends as a primary vehicle. In line with our fiscal 2023 targets of profits attributable to owners of the parent of ¥1 trillion or more, and a dividend payout ratio of 40%, we will steadily raise the amount of dividends per share.

As for our dividend forecasts for fiscal 2021, we intend to pay a full-year dividend of ¥27 per share, up ¥2 per share year-on-year. With regard to share repurchases, we have adopted a cautious stance in light of current circumstances – namely, difficulty in predicting when the pandemic will be contained – and in May 2021 decided not to execute share repurchases. But we will not remove the possibility of executing repurchases some time before the end of fiscal 2021.

I have a strong personal sense of mission to enhance MUFG’s stock price and would like to see it rise to a PBR of 1. I’ve also incorporated MUFG’s Total Shareholder Return (TSR)*4 vis-à-vis competitors as a KPI for determining my remuneration as a director. To improve MUFG’s stock price, I’m determined to successfully execute our transformation imperative. I look forward to updating investors on tangible progress in our initiatives to raise the Group’s growth potential and operational efficiency.

Envisioning “MUFG Has Changed!” a Year Later

As discussed earlier, we know the path to our future is paved with innovation, not the status quo. To follow the right path we must transform, and I’m confident we can.

I’m confident MUFG has the strength and potential to marshal the well-earned trust of our public, the comprehensive capabilities of our Group operations, the robust pool of our human talent, our immense base of customers and our vast global network. I’m confident we can focus these powers on deploying speed, courage and imagination to benefit our stakeholders. I’m confident we will stand out as a thriving, robust financial group in the coming era of relentless change.

The will to accomplish all this begins with each MUFG colleague thoroughly Committed to empowering a brighter future. Our fresh statement of Purpose applies to all we do, from the most overarching strategy to the most humble routine. This idea, this ideal, inculcated in minds of all our colleagues, has the power to transform our culture, propel innovation and drive our performance to where it should be.

I pledge to spearhead this transformation so that, a year from now, we can hope to hear customers, employees, shareholders and investors attest with gratification:

“MUFG has changed!”

July 2021

Hironori Kamezawa
President & Group CEO

Notes

1) Business-model reforms to achieve a simple, speedy and transparent group-wide management approach
2) MUFG declared our commitment to reduce greenhouse gas (GHG) emissions from our investment & financing portfolio to net zero by the end of 2050, and from our own business operations by the end of 2030
3) An international initiative for banks launched by the UNEP FI in April 2021 to support a commitment to reduce GHG emissions attributable to its members’ investment & financing portfolios to net zero by the end of 2050
4) An indicator for comprehensively measuring yields available to shareholders, TSR is calculated by dividing the sum of dividends per share and capital gains by investment in specific stock.
Message from the CEO

Reflections & Aspirations

Propelling Innovation With an Open-Minded Organization

Since assuming the office of CEO, I’ve promoted a policy of engagement-oriented management to challenge mindsets, open eyes and showcase how finance can play a role in society much deeper than commonly conceived.

A case in point is my “Finance of Tomorrow” initiative – where we gathered young MUFG colleagues to hear the ideas and dreams of passionate, ambitious guests from across the disciplines, driven to solve social problems with a sense of mission. This stirs the imagination, especially of our youth, on how finance can help.

Engagement like this helps us understand what society might hope for from MUFG. It stimulates thoughts on how to keep raising the bar of what “finance” might mean to the young, fertile minds who will take our company and society into the future.

I’ve had the priceless chance to interact with this young talent at MUFG. I’m reminded how youth seems naturally equipped with a mindset free from too many preconceptions. Outside observers often describe the MUFG culture as categorically conservative. There’s truth to that. But I’d also say that, over recent years, we’ve grown more open, gradually transitioning to a freer-thinking culture where we can all interact naturally, across ranks, geographies and business units. To create a workplace that’s fun and attractive to the types of people we need, we have to foster an environment where defenses can be safely lowered and people can share what they really think.

This is how we’re transforming our culture into one with more sense of possibility, more agility, capable not only of adapting to the diversity and blinding speed of change in the world we serve, but in fact to help propel it for progress.

A Guide to Quickly Understanding Where MUFG Is Now

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<tr>
<td>Purpose</td>
<td>Page 6</td>
<td>In 2021, MUFG defined “Committed to empowering a brighter future” as its Purpose. MUFG aspires to support our customers, employees, shareholders, investors and all other stakeholders in their next step forward – whatever positive step they wish to be; and to act as a constructive force for the earth’s natural environment and society as a whole.</td>
<td>MUFG Way Pages 3–4</td>
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<td>Improving ROE</td>
<td>Page 9</td>
<td>A primary target of our new plan is to raise ROE to 75% in fiscal 2023. To help achieve this, we’ve set associated targets for profits, expenses and risk-weighted assets (RWAs). We intend to strengthen control of our resources, solidify our domestic business revenue base and render our global business more resilient – all with the aim of being consistently capable of at least ¥1 trillion in profits attributable to owners of the parent.</td>
<td>Overview of the New Medium-Term Business Plan (MTBP) Pages 31–34</td>
<td>Message from the CFO Pages 36–39</td>
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<td>Digital transformation (DX)</td>
<td>Page 9</td>
<td>The Digital Service (DX) Business Group has been newly established to provide highly convenient value-added customer services online (also through online channels) by using digital technologies. The group is also spearheading across-the-board digital transformation to make us far more efficient as an organization. We will step-up collaboration with external business operators to build our Banking as a Service (BaaS) model that offers our financial functions to diverse digital channels.</td>
<td>Digital Service Business Group Pages 53–54</td>
<td>Evolving into a Financial and Digital Platform Operator Pages 67–68</td>
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<td>Contribution to addressing environmental and social issues</td>
<td>Page 10</td>
<td>We know MUFG’s long-term health is tied to environmental and social responsibility, and management strives to balance our own growth strategies with duties. Our new MTBP steps up this approach and targets ten environmental and social priorities that each business group will address through its business strategies. Moreover, we announced the MUFG Carbon Neutrality Declaration, a vigorous commitment – based on concrete action plans – to combat climate change.</td>
<td>Sustainability Management Focused on Addressing 10 Priority Issues Pages 25–28</td>
<td>Sustainability Initiatives Pages 75–86</td>
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<td>Corporate culture reforms focused on “speed” and “new challenges”</td>
<td>Page 10</td>
<td>Because culture touches everything we do, this is perhaps our most important transformation initiative. It’s imperative that MUFG operates with an open-minded, speed-oriented global team of employees who reconcile with management’s vision, think and act spontaneously and welcome innovation. Aiming to directly communicate management ideas to employees, we implement a variety of engagement initiatives, including town hall meetings.</td>
<td>Transform Our Corporate Culture Pages 69–70</td>
<td>Human Resources Strategy Pages 71–74</td>
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<td>Inclusion &amp; diversity</td>
<td>Page 10</td>
<td>We consider it important to facilitate the exchange of opinions among diverse human resources and incorporate new ideas to determine our next move. We believe this is key to keeping our organization viable. To improve gender diversity at our leadership levels, we’ve set a target of raising the ratio of women holding positions of line manager or higher to 18% in our Japan operations by 2023.</td>
<td>Inclusion &amp; Diversity Page 73</td>
<td></td>
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<td>Shareholder returns</td>
<td>Page 11</td>
<td>We will keep enhancing the content of shareholder returns under our new MTBP with dividends as a primary vehicle. In line with our fiscal 2023 targets of profits attributable to owners of the parent of ¥1 trillion or more, and a dividend payout ratio of 40%, we will steadily raise the amount of dividends per share. With regard to share repurchases, we have adopted a cautious stance in light of current circumstances and in May 2021 decided not to execute share repurchases. But we will not remove the possibility of executing repurchases some time before the end of fiscal 2023.</td>
<td>Message from the CFO Pages 39–41</td>
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MUFG’s Pursuit of Value Creation

MUFG’s History—How We Created Value

1656– 1656
- Konoko Exchange Bureau opened in Osaka (Precursor of Sanwa Bank founded in 1933)

1880
- Mitsubishi Exchange House established by Yataro Iwasaki (Precursor of Sanwa Bank founded in 1933)
- Yokohama Specie Bank established (Precursor of The Bank of Tokyo founded in 1946)

1927
- Mitsubishi Trust established
- Kawasaki Trust established
- Tokai Bank established

1948
- Yachiyo Securities established

1959
- Toyo Trust and Banking established

2005– 2005
- MUFG was inaugurated as a financial group equipped with comprehensive functions and the largest customer base in Japan
- The merger of Mitsubishi Tokyo Financial Group and UFJ Holdings

2008– 2008
- MUFG was inaugurated, Mitsubishi UFJ Trust and Banking, Mitsubishi UFJ Securities inaugurated
- The provision of services employing collaboration between Group companies
- Invested US$9 billion in Morgan Stanley (U.S.) during the global financial crisis

2012– 2012
- Enhanced our presence in the ASEAN region, a key market region in terms of our growth strategies
- Invested in commercial banks in Thailand, Vietnam and the Philippines

2017– 2017
- Began offering an array of solutions supported by a groupwide integrated management approach
- Launched the MUFG Re-Imagining Strategy

2021– 2021
- Started to take on the challenge for business model reforms to realize the “MUFG Way”
- Promoting “Corporate Transformation” focused on digitalization, sustainability, speed and new challenges in line with our newly defined Purpose

Economic and social trends

2005
- Transition to limited deposit guarantee “payoff” scheme in Japan

2006
- The Bank of Japan (BOJ) terminated zero interest rate policy

2008
- Financial crisis triggered by Lehman Brothers

2010
- The debt crisis emerges in Europe

2011
- The Great East Japan Earthquake

2012
- The Abenomics stimulus package initiated

2013
- The BOJ introduces quantitative and qualitative monetary easing policies

2016
- The BOJ introduces a negative interest rate policy and yield curve control

2018
- U.S.-China trade friction

2020
- The COVID-19 pandemic emerges

- Source: The Mitsubishi Archives
- Source: Kanezawa Historical Museum of Cultural Archives
- Source: Konoko Limited Partnership Company

Introduction  MUFG’s Pursuit of Value Creation  Management Strategies and Performance  Leadership and Governance  Financial Data / Corporate Data
The Seven Business Group Structure
—Our Structure for Practicing Value Creation

To take full advantage of our strengths as a corporate group handling comprehensive financial services, we introduced a business group structure designed to unify the Group’s strategic approach and promote businesses via close collaboration among Group companies. To meet diverse customer needs, our business groups are engaged in the formulation of strategies and the implementation of measures in a way that integrates capabilities afforded by individual Group companies in their areas of strength.

<table>
<thead>
<tr>
<th>Business Group</th>
<th>Overview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Established in April 2021 Digital Service</td>
<td>Targeting domestic individual customers and corporate clients whose interactions with the Group mainly involve non-face-to-face transactions, this business group provides digital-driven financial services and, to this end, strives to expand digitized transactional points and enhance customer convenience. At the same time, it is charged with spearheading MUFG’s across-the-board digital transformation to secure an even stronger business platform.</td>
</tr>
<tr>
<td>Retail &amp; Commercial Banking</td>
<td>Having positioned domestic individual customers and corporate clients as targeted customer segments, this business group employs a groupwide, integrated approach as it strives to meet diverse customer needs via the provision of a range of financial services and solutions. Its lineup includes such financial services as lending and settlement as well as those associated with asset management, inheritance and real estate in addition to business and asset succession solutions.</td>
</tr>
<tr>
<td>Japanese Corporate &amp; Investment Banking</td>
<td>Serving major Japanese corporations seeking to expand globally, this business group provides loan, settlement, forex and other services while offering comprehensive solutions backed by Group companies’ specialist expertise related to M&amp;A and real estate to help customers achieve growth in their corporate value.</td>
</tr>
<tr>
<td>Global Corporate &amp; Investment Banking</td>
<td>Offering a comprehensive set of corporate &amp; investment banking services that provide value-added solutions for large global corporate and financial institution customers by leveraging our extensive network and product capabilities through an integrated business model involving the Bank and the Securities.</td>
</tr>
<tr>
<td>Global Commercial Banking</td>
<td>This business group boasts robust networks in both the United States and Southeast Asia and provides financial services to local SMEs and individuals overseas through its partner banks, such as MUFG Union Bank in the United States, Krungri (Bank of Ayudhya) in Thailand and Bank Danamon in Indonesia, etc.</td>
</tr>
<tr>
<td>Asset Management &amp; Investor Services</td>
<td>Employing its sophisticated specialist know-how in the areas of asset management (AM), investor services (IS) and pensions, this business group provides such services as consulting while constantly striving to further enhance its asset management capabilities and product development capabilities to better meet the diverse needs of customers at home and abroad.</td>
</tr>
<tr>
<td>Global Markets</td>
<td>This business group primarily handles customer segment sales &amp; trading (S&amp;T) operations*1 associated with interest rates (bonds), forex and equities while comprehensively managing assets, liabilities and various risks via treasury operations.*2</td>
</tr>
</tbody>
</table>

Fiscal 2020 Composition of Net Operating Profits*3 by Business Group

<table>
<thead>
<tr>
<th>Business Group</th>
<th>Net Operating Profits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Markets</td>
<td>¥400.8 billion (28%)</td>
</tr>
<tr>
<td>R&amp;C</td>
<td>¥259.0 billion (18%)</td>
</tr>
<tr>
<td>AM/IS</td>
<td>¥274.2 billion (20%)</td>
</tr>
<tr>
<td>GCB</td>
<td>¥156.5 billion (11%)</td>
</tr>
<tr>
<td>Global Markets</td>
<td>¥83.4 billion (6%)</td>
</tr>
</tbody>
</table>

Main Customers for Each Business Group

<table>
<thead>
<tr>
<th>Customers</th>
<th>Business groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic individual customers and corporate clients (non-face-to-face transactions)</td>
<td>DS ● ● ● ● ● ● ●</td>
</tr>
<tr>
<td>Domestic individual customers and SMEs</td>
<td>DS ● ● ○ ○ ○ ○</td>
</tr>
<tr>
<td>Major Japanese corporations</td>
<td>DS ● ● ○ ○ ○ ○</td>
</tr>
<tr>
<td>Large global corporate clients</td>
<td>DS ● ● ○ ○ ○ ○</td>
</tr>
<tr>
<td>Overseas individual customers and SMEs</td>
<td>DS ● ● ○ ○ ○ ○</td>
</tr>
</tbody>
</table>

Main Subsidiaries Belonging to Each Business Group

<table>
<thead>
<tr>
<th>Main business areas</th>
<th>Subsidiaries</th>
<th>Business groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking</td>
<td>MUFG Bank</td>
<td>DS ● ● ● ● ● ●</td>
</tr>
<tr>
<td></td>
<td>Krungri (Bank of Ayudhya)</td>
<td>DS ● ● ● ● ● ●</td>
</tr>
<tr>
<td></td>
<td>Bank Danamon</td>
<td>DS ● ● ● ● ● ●</td>
</tr>
<tr>
<td></td>
<td>Mitsubishi UFJ Trust and Banking</td>
<td>DS ● ● ● ● ● ●</td>
</tr>
<tr>
<td></td>
<td>Mitsubishi UFJ Kokusai Asset Management</td>
<td>DS ● ● ● ● ● ●</td>
</tr>
<tr>
<td>Trust banking</td>
<td>First Sentbear Investors</td>
<td>DS ● ● ● ● ● ●</td>
</tr>
<tr>
<td>Securities</td>
<td>Subsidiaries of Mitsubishi UFJ Securities Holdings</td>
<td>DS ● ● ● ● ● ●</td>
</tr>
<tr>
<td>Card business and consumer finance</td>
<td>NICOS</td>
<td>DS ● ● ● ● ● ●</td>
</tr>
<tr>
<td></td>
<td>ACOM</td>
<td>DS ● ● ● ● ● ●</td>
</tr>
</tbody>
</table>

*1 Collective term for sales operations involving the provision of financial products and solutions, including fixed and derivative, to customers and trading operations including the trading of marketable products between banks or through an exchange.
*2 Including ALM which is the integrated management of liquidity risk and interest rate risk inherent in assets (loans, etc.) and liabilities.
*3 All figures are in actual exchange rate and managerial accounting basis.
MUFG’s Unique Strengths
—What Strengths Are We Leveraging for Value Creation?

A Unique Business Portfolio of MUFG

Through steady organic expansion, we have grown our overseas business portfolio, building up an extensive business foundation unparalleled by that of any other company in the domestic financial industry.

MUFG’s Business Portfolio

<table>
<thead>
<tr>
<th></th>
<th>Japan</th>
<th>Overseas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking (large corporates)</td>
<td>MUFG Bank</td>
<td>MUFG Securities</td>
</tr>
<tr>
<td>Securities</td>
<td>MUMSS® and MIMSS®</td>
<td>MUFG Securities</td>
</tr>
<tr>
<td>Banking (mutual assurance)</td>
<td>MUFG Bank</td>
<td>MUFG Securities</td>
</tr>
<tr>
<td>Card business and CI⁴</td>
<td>NICOS and ACOM</td>
<td>FSI and MUFG Investor Services</td>
</tr>
</tbody>
</table>

*5 Consumer finance  *6 Asset management  *7 Investor services

A Commercial Banking Platform Encompassing the ASEAN Region

Over the course of seven years leading up to 2019, we developed a commercial banking platform encompassing the ASEAN region via investment in commercial banks in four countries, namely, Thailand, Indonesia, Vietnam, and the Philippines.

History in and Alliance with Morgan Stanley

In 2008, we entered into a strategic capital alliance with Morgan Stanley (MS). In addition to focusing on partnership in investment banking, this alliance has expanded to include wealth management and other operations and has posed to enter a new stage.

Investment in and Alliance with Morgan Stanley

<table>
<thead>
<tr>
<th>Year</th>
<th>Major background</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>Invested US$10 billion in preferred stock in MS to fundamentally strengthen global investment banking operations.</td>
<td>Out of overseas investment banking operations, NAMA and ECOM make the best use of MS functions, emphasizing on improving management efficiency.</td>
</tr>
<tr>
<td>2009</td>
<td>Established LMJV — to provide corporate financing services in the Americas</td>
<td>In the DCM area, where affinity with lending is high, large-scale contracts are regularly closed through collaboration that takes advantage of the strengths of both companies.</td>
</tr>
<tr>
<td>2010</td>
<td>Established Mitsubishi UFJ Morgan Stanley Securities in Japan</td>
<td>Maintaining top-class investment banking league tables in Japan, centered on M&amp;A and ECM</td>
</tr>
</tbody>
</table>

Further Strengthening the Alliance—Developing New Stages of Collaboration

Active dialogues between top management
- The Global Steering Committee (GSC) is held twice a year. Senior management, including CEOs of both companies, continue to discuss the further development of the strategic alliance.
- In recent years, collaboration and knowledge sharing progressed in wealth management, as discussions held at GSC being the starting point.
- Two directors (Hideyuki Hiran and Hironori Kamezawa) of Morgan Stanley (MS) have been appointed as representative to MS’s board of directors.
- Two directors (Nobuyuki Hirano and Hironori Kamezawa) of Morgan Stanley (MS) have been appointed as representative to MS’s board of directors.
- In AM/IS, sales of MS investment products that have strengths progressed in Japan.
- In AM/IS, sales of MS investment products that have strengths progressed in Japan.

Growth ratio of balance of assets under management by region (average: 2017 to 2022)

<table>
<thead>
<tr>
<th>Region</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Asia</td>
<td>12%</td>
<td>12%</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>Australia</td>
<td>9%</td>
<td>9%</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>Europe</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>The United States</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Leadership and Governance

Continuous efforts on developing alliance

Global AM operations

Having executed a strategic investment in the Australia-based asset management firm First Sentier Investors (FSI) in 2018, we have strengthened our global AM operations.
Value Creation Process – What Value We Create and Deliver Sustainably

In line with our Purpose, “Committed to empowering a brighter future,” we work to create value via business strategies that go in tandem with the pursuit of solutions for environmental and social issues, with the aim of becoming the world’s most trusted financial group.

The External Environment

- Slow economic expansion and low interest rates
- Outbreak of the COVID-19 pandemic
- Need to compete against or collaborate with industry newcomers and platform operators
- Acceleration of the digital shift
- Growing public awareness regarding environmental and social issues
- Aging population and low birthrate

Improvement in corporate value and the enhancement of each capital category

Purpose
Committed to empowering a brighter future.

Inputs

- Financial capital
  - Deposits ¥117.5 trillion
  - Net assets ¥77.5 trillion
  - Credit ratings: Moody’s A1; S&P A-; Fitch A
- Human capital
  - Employees: Approximately 170,000 (overseas: 52%)
  - Digital specialists: Approximately 100 individuals (completed selection programs)
  - Top management candidates: More than 600 individuals (completed training programs)
- Intellectual capital
  - MUFG’s unique strengths: acquired via strategic investment
    - Pages 19–20
  - Comprehensive capabilities: afforded by group-wide resources, including the Bank, the Trust Bank, and the Securities
  - Open innovation-related investment
    - Approximately ¥50.0 billion
    - Page 68
  - IT-related investment: ¥85.0 billion (fiscal 2018 to fiscal 2020)
- Social and relationship capital
  - Trustworthiness and reliable brand
  - A robust customer base: Japan’s largest of its kind (approximately 34 million individual customers and approximately 1.2 million corporate clients)
  - An extensive network comprising 537 bases in Japan and 1,914 bases in more than 50 countries overseas
- Natural capital
  - Total energy consumption: 399.2 GWh*

Business Activities

Please refer to pages indicated below to see the detail of activities and output.

Sustainability management

- Pages 21–26 and 75–86

Corporate culture reforms

- Pages 69–70

Business operations undertaken by each segment

- Digital Service
  - Pages 53–54
- Retail & Commercial Banking
  - Pages 55–56
- Japanese Corporate & Investment Banking
  - Pages 57–58
- Global Corporate & Investment Banking
  - Pages 59–60
- Global Commercial Banking
  - Pages 61–62
- Asset Management & Investor Services
  - Pages 63–64
- Global Markets
  - Pages 65–66

Outcomes Fiscal 2020 results

- Financial capital
  - Profits attributable to owners of parent ¥777.0 billion
  - ROE 5.6%
  - Common Equity Tier 1 capital ratio: 9.7%
  - The Bank, the Trust Bank and MUMSS
  - The Bank
- Human capital
  - Improvement in employee engagement
  - Higher ratio of women in management in Japan
  - Number of the Job Challenge program applicants: 773
  - Number of executive officers hired overseas: 13
- Intellectual capital
  - Provision of new financial services and the creation of new businesses involving external collaboration
  - Reduction in workload via the use of digital technologies
  - Number of the Job Challenge program applicants: 773
- Social and relationship capital
  - Number of constant users of internet banking: 72 million
  - Ratio of bank-counter procedures that can be completed online: 52%
- Natural capital
  - CO2 emissions: 14.55 million tons (cumulative total from fiscal 2019 to fiscal 2020)
  - Greenhouse gas emissions from financial services
    - 4.5 million tons

Targets

- Financial capital
  - ¥1 trillion or more (fiscal 2023)
  - 7.5% (fiscal 2023), 9% to 10% (medium- to long-term)
- Human capital
  - Succeed in instilling Purpose
  - 18.0% (fiscal 2023)
- Intellectual capital
  - Evolving into a financial and digital platform operator
  - Equivalent of more than 10,000 employees
- Social and relationship capital
  - 15 million (fiscal 2023)
  - 75% (fiscal 2023)
- Natural capital
  - Net zero (by the end of 2030)
  - 70 million tons (cumulative total of fiscal 2019 to fiscal 2030)
  - Net zero (by the end of 2050)

Foundations supporting our business activities

- Corporate governance
  - Pages 89–98
- Risk management
  - Pages 99–102
- Cyber security
  - Pages 103–104
- Compliance
  - Pages 105–106
- Internal audit
  - Page 107
- Inclusion & diversity
  - Page 73

* Provisional data as of July 2021

** Provisional data as of July 2021

*1 Provisional data as of July 2021

*2 Provisional data as of July 2021
Stakeholder Engagement

To secure sustainable growth and enhance its corporate value, MUFG proactively engages in communications with stakeholders and takes heed of their expectations and requests regarding improvements in its business management.

<table>
<thead>
<tr>
<th>Key stakeholder groups</th>
<th>Value delivered to stakeholders</th>
<th>Policies for improving corporate value</th>
<th>Fiscal 2020 achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers and business partners</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individual: Approximately 34 million individuals</td>
<td>Provide digital-driven, highly convenient services while meeting diverse needs for asset building, asset succession and other solutions backed by superior consulting functions</td>
<td>Extend financial support to help customers resolve challenges they are confronting through business operations that precisely align with changes in the business environment and leverage MUFG’s strength</td>
<td>Customer feedback volume: Approximately 180,000 instances,* including 249 inputs utilized to improve services</td>
</tr>
<tr>
<td>Corporate: Approximately 1.2 million corporations</td>
<td>Incubate new businesses and help customers strengthen their business capabilities by taking advantage of our lineup of diverse financial solutions and global reach</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communities and society</td>
<td>Take advantage of unique financial services to contribute to the development of disaster resilient infrastructure and the vitalization of regional communities in an effort to make society more resilient by upgrading the reliability and stability of social functions and pursuing innovation</td>
<td>Serve as a component of the financial infrastructure supporting society by offering stable funding and making our solid operations and systems available to customers while contributing to the social transition to digital technologies</td>
<td></td>
</tr>
<tr>
<td>NPO/NGO Local communities</td>
<td>Build a robust financial system equipped with enhanced cyber security measures and capable of offering superior convenience</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Municipalities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Future generations</td>
<td>Push ahead with climate change measures and environmental protection initiatives to help realize a world in which human society harmoniously coexists with the global environment and to pass such a world down to the next generation</td>
<td>Discover opportunities from the pressing need for solutions for environmental and social issues, thereby becoming a pioneering company blazing a path into the coming era</td>
<td></td>
</tr>
<tr>
<td>The environment Younger people</td>
<td>Support the sound upbringing of children, who will lead future generations, by engaging in a variety of social contribution activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees of MUFG</td>
<td>Number of employees Approximately 170,000</td>
<td>Promote inclusion &amp; diversity</td>
<td></td>
</tr>
<tr>
<td>Domestic: 48%; Overseas: 52%</td>
<td>Provide opportunities for personal growth and offer an environment in which employees can direct their energies into working with a sense of fulfillment</td>
<td>Promote corporate culture reforms focused on “speed” and “new challenges” by winning employee empathy toward “Corporate Transformation” via dialogue</td>
<td></td>
</tr>
<tr>
<td>Shareholders</td>
<td>Number of shareholders Approximately 840,000</td>
<td>Strive for growth in stock price in step with sustainable improvement in corporate value while enhancing shareholder returns</td>
<td></td>
</tr>
<tr>
<td>Domestic financial institutions Approximately 34% Individuals Approximately 18%</td>
<td>Strive for growth in stock price in step with sustainable improvement in corporate value while enhancing shareholder returns</td>
<td>Maintain highly transparent information disclosure and engagement in constructive shareholder dialogue while reflecting shareholder feedback in business management and strategies</td>
<td></td>
</tr>
<tr>
<td>Overseas Approximately 30%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>*1 The Bank, the Trust Bank, MUMSS, NICOS and ACOM</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notation: Approximately 340,000 instances,* indicating 45 inputs utilized to improve services

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

Number of shareholders excludes treasury stock. Percentage of shareholders by category is calculated excluding treasury stock.

- Number of online seminars held for individual investors 3
- Number of individual meetings with institutional investors 21
- Number of presentation meetings held for institutional investors 6
- Ratio of headquarters employees who work from home 55% (as of March 31, 2021)
MUFG's Sustainability Management Focused on Addressing 10 Priority Issues

We have reviewed priority issues that must be tackled to help achieve environmental and social sustainability in line with our newly established Purpose, "Committed to empowering a brighter future," with an eye to better fulfilling society's expectations in areas where MUFG's capabilities can be brought to bear. As a result of this review, we have freshly defined the 10 priority issues.

Committed to empowering a brighter future.
Contribute to the realization of sustainable "people, society and global environment"

Assessing a broad range of environmental and social issues
Identified 218 issues by assessing environmental and social issues at home and abroad with reference to the United Nations Sustainable Development Goals (SDGs), stakeholder feedback regarding ESG issues and the requirements set out in the various guidelines listed below

- GRI Standards
- United Nations Global Compact
- SASB Standards
- ISO26000
- The previous 7 priority issues specified by MUFG, etc.

Integrating and narrowing-down
Integrated the 218 issues into the 123 issues based on duplications or similarities, with the Sustainability Office undertaking the primary screening

Extracting
Identified 12 major issues based on employee feedback gleaned via questionnaires and interviews

- Items included in questionnaires or asked at interviews
  - Issues respondents are currently addressing or willing to address through their business duties
  - Issues respondents think that are addressed by companies considered to be good corporate citizens

Deliberation and determination
Determined the 10 priority issues after multiple rounds of management discussion that took into account the opinions of external advisors, input from outside directors and the global trend toward sustainability, with an eye to better fulfilling society's expectations in areas where MUFG's capabilities can be brought to bear
Response to Opportunities and Risks

Based on MUFG’s recognition of its 10 priority issues from the perspective of opportunities and risks, the following chart lists various initiatives undertaken by the Group to address such opportunities and risks. Through these initiatives, we will strive to help realize the SDGs and contribute to environmental and social sustainability.

<table>
<thead>
<tr>
<th>Important environmental and social issues</th>
<th>MUFG’s recognition</th>
<th>Main initiatives</th>
<th>Corresponding SDGs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate change measures &amp; environmental protection</td>
<td>The ongoing trend toward decarbonization is expected to result in major changes in global industrial structure which, in turn, will position MUFG and its clients to face both risks affecting their business continuity and opportunities for growth. It is important to ensure smooth transition to a decarbonized society and a virtuous cycle of environmental and economic improvement in order to realize a sustainable society.</td>
<td>a) Carry out investment and financing to support climate transition and innovation aimed at realizing a decarbonized society (focus on financing renewable energy, hydrogen, and new-generation energy and carbon recycling technologies)</td>
<td>a) Promote gender diversity through initiatives such as “CareerMentor,” etc.</td>
</tr>
<tr>
<td></td>
<td>The scope of cross-sectoral environmental protection initiatives is likely to expand to include not only climate change measures but also the protection of biodiversity, etc.</td>
<td>b) Provide ESG-related investment products while promoting proprietary ESG investment strategies</td>
<td>b) Address the issues of low birthrate and aging population and contribute to robust financial services in anticipation of the further aging of society.</td>
</tr>
<tr>
<td></td>
<td>Leveraging our comprehensive financial services capabilities is important in order to meet evolving and diversifying customer needs in the face of changes in social structure due to aging population and low birthrate. The aging population and low birthrate may lead to economic stagnation and a decline in growth potential, leading to the shrinkage of both funding demand and interest margins, a situation that could, in turn, have a particularly negative impact on the traditional corporate business banking.</td>
<td>c) Classify climate change-related risks as Top Risks in the course of integrated risk management</td>
<td>c) Mitigate the adverse impact on the Group’s financial stability and performance due to the ongoing crisis in Ukraine.</td>
</tr>
<tr>
<td></td>
<td>The aging population and low birthrate may also have a broad impact on the supply of human resources, with the share of working populations decreasing. For us to maintain trust and reliability as a financial institution and to support the flourishing of social infrastructure, the proper handling of threats to safety and security is a requisite. It is therefore essential to strengthen security measures safeguarding informational assets and prevent financial crimes that have become ever more complex and sophisticated.</td>
<td>d) Provide a safe and secure financial infrastructure via the use of a blockchain and cross-border payment solutions to the prevention of financial crimes and the upgrading of cybersecurity measures</td>
<td>d) Promote gender diversity through initiatives such as “CareerMentor,” etc.</td>
</tr>
<tr>
<td></td>
<td>Offering assistance for the creation of growing industries, which are the drivers of economies, and vibrant venture startups is essential to avoiding economic stagnation and securing sustainable growth.</td>
<td>e) Offer financial services tailored to the needs of an aging society while providing digital-driven services</td>
<td>e) Assist in the smooth succession of businesses and assets by taking advantage of opportunities offered by Group companies and a network afforded via external partners</td>
</tr>
<tr>
<td></td>
<td>Providing more customers with opportunities to access financial services and investment not only contributes to improving the growth of economies but also allows for MUFG to secure an even more robust foundation for growth.</td>
<td>f) Offer business matching and other services via the utilization of the Group’s extensive customer base to help venture startups achieve business growth while avoiding large corporations in their business creation efforts</td>
<td>f) Develop social inclusion strategies by ensuring equal access to financial services and investment opportunities.</td>
</tr>
<tr>
<td></td>
<td>On the back of Japan’s declining population, businesses are expected to provide their employees with opportunities to embrace flexible workstyles aligned with evolving a sense of values, changes in social structure and the growing need to strike a work-life balance. Fulfilling these expectations provides the baseline for the effective utilization of human resources and achievement of corporate growth and, in light of shocks (such as the COVID-19 pandemic), has become a matter of even greater importance.</td>
<td>g) Enhance opportunities for businesses to take advantage of the Group’s extensive customer base to help achieve business growth while avoiding large corporations in their business creation efforts</td>
<td>g) Promote gender diversity through initiatives such as “CareerMentor,” etc.</td>
</tr>
<tr>
<td></td>
<td>Among the factors contributing to the efficiency of our financial functions, which constitute a part of social infrastructure, will help society as a whole achieve higher productivity while positioning us for greater productivity as well.</td>
<td>h) Take measures to improve employee engagement in a way that heeds such input as the results of the Group’s employee engagement survey</td>
<td>h) Develop a shared value framework that aligns the Group’s strategic initiatives with the SDGs and helps to achieve the Group’s long-term growth strategy.</td>
</tr>
<tr>
<td></td>
<td>Poverty often results in a variety of other problems posing serious threats to social stability (e.g., public health, hygiene and security) and human rights (e.g., sufficiency in food, clothing and housing) as well as the formation of a basis for a sustainable economic growth.</td>
<td>i) Provide support for growth initiatives and market development efforts that can be done from home</td>
<td>i) Engage in social contribution activities such as donations to assist students confronting economic and social hardships in their pursuit of higher education and the maintenance of their livelihoods.</td>
</tr>
<tr>
<td></td>
<td>Those who are now students will shape the next generation and, therefore, constitute the foundation of future society. Among them may also be our potential colleagues. Therefore, supporting them is of great importance.</td>
<td>j) Extend investment and financing to make our stable funding functions available to people in emerging and developing countries and thereby support their household finance and business activities</td>
<td>j) Assist in the development of healthcare-related technologies via the use of a fund and other frameworks for supporting healthcare startups at the startup stage and otherwise extend business financing.</td>
</tr>
<tr>
<td></td>
<td>Proper education is at the base of social stability and sustainable economic growth. Thus, educational shortfalls may have a broad impact onmu's comprehensive financial services capabilities is important in order to meet evolving and diversifying customer needs in the face of changes in social structure due to aging population and low birthrate. The aging population and low birthrate may lead to economic stagnation and a decline in growth potential, leading to the shrinkage of both funding demand and interest margins, a situation that could, in turn, have a particularly negative impact on the traditional corporate business banking.</td>
<td>k) Underwrite and provide for the Group’s extensive customer base to help venture startups achieve business growth while avoiding large corporations in their business creation efforts</td>
<td>k) Assist in the smooth succession of businesses and assets by taking advantage of opportunities offered by Group companies and a network afforded via external partners.</td>
</tr>
<tr>
<td></td>
<td>Promoting workstyle reforms</td>
<td>l) Facilitate workforce reform within the Group’s extensive customer base to help achieve business growth while avoiding large corporations in their business creation efforts</td>
<td>l) Develop social inclusion strategies by ensuring equal access to financial services and investment opportunities.</td>
</tr>
</tbody>
</table>

Response to poverty

- Poverty often results in a variety of other problems posing serious threats to social stability (e.g., public health, hygiene and security) and human rights (e.g., sufficiency in food, clothing and housing) as well as the formation of a basis for sustainable economic growth (e.g., educational equality).
- Those who are now students will shape the next generation and, therefore, constitute the foundation of future society. Among them may also be our potential colleagues. Therefore, supporting them is of great importance.
- Proper education is at the base of social stability and sustainable economic growth. Thus, educational shortfalls may have a broad impact on society. Among them may also be our potential colleagues. Therefore, supporting them is of great importance.

Reduction of educational disparities

- The sustainability of economic activities will be largely dependent on the strengthening of capabilities for preventing novel infectious strains spreading (via the development of vaccines, etc.) and responsiveness to the pandemic (via the development of medical and emergency technologies and institutions) in order to ensure robust social functions in anticipation of the further aging of population.
**Review of the Medium-Term Business Plan (MTBP)**

### 2012–2014

**Groupwide Collaboration**

- Aim for sustainable growth in corporate value by strengthening collaboration in the following three areas:
  1. Collaboration between Group companies
  2. Collaboration between retail and corporate banking divisions
  3. Collaboration between domestic and overseas divisions

- Basic Policy
  - Enhance comprehensive financial service capabilities on a global basis
  - Contribute to initiatives for revitalizing and regenerating the Japanese market
  - Leverage world-class capabilities in capital and risk management

- Results Summary
  - Met all targets except the expense ratio target, with overseas operations spearheading growth for the Group
  - The expense ratio increased mainly due to the allocation of resources to overseas operations

- Challenges
  - Improved productivity
  - Strengthen governance on a global basis (correspond to global financial regulations, etc.)
  - Evolve and reform our business model in light of changes in the business environment

### 2015–2017

**A Group-Driven Approach**

- Maintain our focus on the Japanese market while working to incorporate the growth of the global market and evolving and reforming our business model
  1. Customer perspective
  2. Group-driven approach
  3. Productivity improvements

- Financial Targets
  - Net operating expense ratio
  - CET1 capital ratio

### 2018–2020

**Group-Integrated Operations**

- Realize simple, speedy and transparent group-integrated operations

- Executing the MUFG Re-Imagining Strategy to swiftly and flexibly respond to structural changes and thereby put the company on a growth track

- Results Summary
  - Met all targets except the expense ratio target, with overseas operations spearheading growth for the Group
  - The expense ratio increased mainly due to the allocation of resources to overseas operations

- Challenges
  - Improved productivity
  - Strengthen governance on a global basis (correspond to global financial regulations, etc.)
  - Evolve and reform our business model in light of changes in the business environment

- Financial Targets
  - ROE
  - Expense ratio
  - Net operating profit (customer segments) growth
  - CETI capital ratio

---

**Positioning of the “Eleven Transformation Initiatives” under the New MTBP**

The “Eleven Transformation Initiatives” have been merged into strategies to be carried out by each business group under the new MTBP. In addition, we realigned a portion of these initiatives and set them as key strategies.

1. Digital Technology
2. Sales Channel
3. Wealth Management
4. Now Model for Wholesale Banking in Japan
5. Real Estate
6. Asset Management in Japan
7. Institutional Investors
8. Global CIB*1
9. Overseas Operations
10. Human Resources
11. Corporate Center Operations

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*1 Global Corporate & Investment Banking
*2 Asset Management / Investor Services
Overview of the New Medium-Term Business Plan (MTBP)

Basic Policy under the New MTBP

Our Vision for Three Years from Now

Be the premier business partner that pioneers the future through the power of finance and digital services

To cope with the drastically changing society, we commit to empower all stakeholders to move to the next step forward

Financial Targets

ROI: 7.5%

Becoming a financial group which constantly earns ¥1 trillion of profits attributable to owners of parent

Three Strategic Pillars

I. Corporate Transformation
- Change our modes of operation and business execution
  i. Digital transformation (DX)
  ii. Contribution to addressing environmental and social issues
  iii. Transformation of corporate culture (a culture with a focus placed on “speed” and “new challenges”)

II. Strategies for Growth
- Strengthen profitability
  i. Wealth management
  ii. Approach of proposing solutions to customer’s issues
  iii. Asia business
  iv. GCIB*1 & Global Markets
  v. Global AM/IS*2

III. Structural Reforms
- Ensure business resilience
  i. Cost and risk-weighted asset (RWA) control
  ii. Transformation of platforms and our business infrastructure
  iii. Review of our business portfolios

To embody our Purpose, “Committed to empowering a brighter future,” we formulated the new MTBP, which went into force from fiscal 2021. This plan sets forth initiatives to be undertaken by MUFG through the power of finance and digital services within the next three years.

To this end, we have defined three strategic pillars: I “Corporate Transformation,” i.e., changing how we operate and execute; II “Strategies for Growth,” i.e., strengthening profitability; and III “Structural Reforms,” i.e., ensuring resilience. In terms of finance, the MTBP features a commitment to raising ROI to 7.5%. Through these pursuits, we will become a financial group capable of stably earning profits attributable to owners of parent of ¥1 trillion or more.

Key Strategies (Three Strategic Pillars)

<table>
<thead>
<tr>
<th>Key Strategies</th>
<th>Overview</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. Digital transformation</td>
<td>Enhance our contact points for digital services for all customers while pushing ahead with digitalizing our products and services</td>
</tr>
<tr>
<td>ii. Contribution to addressing environmental and social issues</td>
<td>Step up an integrated approach in which the execution of management strategies goes in tandem with the pursuit of solutions for environmental and social issues. To this end, realign our business strategies, risk management and social contribution initiatives in light of 10 priority issues we have identified</td>
</tr>
<tr>
<td>iii. Transformation of corporate culture</td>
<td>Encourage employees to always act in line with our Purpose while fostering an open-minded corporate culture, with the aim of speeding up strategic execution and empowering employees to spontaneously take on new challenges</td>
</tr>
<tr>
<td>i. Wealth management</td>
<td>Strengthen the wealth management business via the development of infrastructure for enhancing our comprehensive asset management proposal capabilities, the allocation of human resources and the provision of solutions for business owners</td>
</tr>
<tr>
<td>ii. Approach of proposing solutions to customer’s issues</td>
<td>Help resolve management challenges confronting large Japanese corporate clients via the strengthening of risk-taking capabilities and the use of a groupwide, integrated approach</td>
</tr>
<tr>
<td>iii. Asia business</td>
<td>Seize growth opportunities in Asia by taking advantage of our broad regional network consisting mainly of Krungsri (Bank of Ayudhya) and Bank Danamon, both of which are consolidated subsidiaries, in addition to promoting digital transformation</td>
</tr>
<tr>
<td>iv. GCIB &amp; Global Markets</td>
<td>Promote the optimization of our portfolio by, for example, rebalancing the proportion accounted for by the institutional investor business. Also, step up origination &amp; distribution (O&amp;D) and cross-selling approach via the integrated operation of GCIB and Global Markets business groups</td>
</tr>
<tr>
<td>v. Global AM/IS</td>
<td>Push ahead with our businesses in the global AM/IS field, an industry boasting robust growth potential, in a way that takes full advantage of our strengths</td>
</tr>
<tr>
<td>i. Cost and RWA control</td>
<td>Execute necessary investment for growth while thoroughly curbing base expenses</td>
</tr>
<tr>
<td>ii. Transformation of platforms and our business infrastructure</td>
<td>Carry out efficient and effective investment for the digital shift</td>
</tr>
<tr>
<td>iii. Review of our business portfolios</td>
<td>Review resource allocations to low-profitability businesses</td>
</tr>
</tbody>
</table>

*1 Global Corporate & Investment Banking
*2 Asset Management / Investor Services
Financial Strategies

The foremost target we have committed ourselves to under the new MTBP is to raise ROE to 7.5% in fiscal 2023. We have positioned our targets for profits, expenses and RWAs as the three drivers to achieve this goal.

As for profits, to achieve net operating profits of ¥1.4 trillion we will strive to solidify our domestic business’s revenue base and enhance the resilience of our global business. By doing so, we aim to become a financial group capable of stably earning profits attributable to owners of parent of ¥1 trillion or more. With regard to expenses, we will pursue a reduction in expenses, except for those linked to revenues, from the fiscal 2020 level. Moreover, we will maintain RWAs at the fiscal 2020 level and, to this end, reshuffle our asset portfolio to raise profitability, further tightening controls on costs and RWAs.

In addition, we have set our target range for the Common Equity Tier 1 (CET1) capital ratio at 9.5% to 10.0% (finalized Basel III reforms basis; excluding net unrealized gains on available-for-sale securities). We will thus implement capital management that aims to secure a sufficient level of capital while balancing growth investments and shareholder returns.

ROE and Capital Management Targets

<table>
<thead>
<tr>
<th>FY 2020 results</th>
<th>FY 2023 targets</th>
<th>Medium-term targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE</td>
<td>5.63%</td>
<td>7.5%</td>
</tr>
<tr>
<td>CET1 capital ratio (finalized Basel III reforms basis)*1</td>
<td>9.7%</td>
<td>9.5%–10.0%</td>
</tr>
</tbody>
</table>

Three Drivers for Achieving the ROE Target

<table>
<thead>
<tr>
<th>Profits</th>
<th>Expenses*2</th>
<th>RWAs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net operating profits: ¥1.4 trillion</td>
<td>Lower than fiscal 2020 level (Excluding expenses linked to revenues)</td>
<td>Maintain a level of the fiscal 2020-end (improve profitability via asset portfolio reshuffling)</td>
</tr>
</tbody>
</table>

Profits attributable to owners of parent: ¥1 trillion or more

A Roadmap toward Achieving the ROE Target

Along with maintaining our grip on RWAs, we will strive to raise net operating profits while reducing credit costs. Furthermore, we will boost our capabilities to earn profits attributable to owners of parent in order to stably accomplish our target of ¥1 trillion or more. In these ways, we will achieve our ROE target.

Profit attributable to owners of parent: ¥1 trillion or more

Our Plan for Net Operating Profits*1

Despite the negative impact of market conditions and other factors, we will aim for net operating profits of ¥1.4 trillion in fiscal 2023 by increasing ¥150.0 billion in profits from strategies for growth and ¥100.0 billion from cost reductions and other structural reform initiatives.

Costs and RWAs Control

For the details of cost and RWA control, please refer to "Message from the CFO" on pages 37-39.

*1 Estimated CET1 capital ratio reflecting the RWA increase, as calculated on the finalized Basel III reforms basis; excluding net unrealized gains on available-for-sale securities

*2 The medium-term expense ratio target of around 60% is unchanged

Approx. ¥100.0 billion

Structural reforms:

Approach of proposing solutions to customer’s issues

Asahi

Global Markets

Global AM/IS

New businesses

Digital transformation

Strategies for growth:

Approx. ¥150.0 billion

Net operating profits:

- ¥1.4 trillion

Profits attributable to owners of parent:

- ¥1 trillion or more

Credit costs:

- ¥0.3 trillion

Growth in RWAs:

- ¥170.0 billion

Reduction in credit costs:

- ¥200.0 billion

Impact of COVID-19 pandemic

ROE: 7.5%

(Maternal suspension of the fiscal 2020-end)
MUFG’s Pursuit of Value Creation

Message from the CFO

Practicing Solid Financial & Capital Management to Support New Medium-Term Management Plan (MTBP) Initiatives Focused on “New Challenges and Transformation”

Tetsuya Yonehana
Group CFO

Review of Operating Results

Fiscal 2020 Results Overview

In fiscal 2020, MUFG has tackled a difficult management environment amid the unprecedented circumstances attributable to fallout from the COVID-19 pandemic. However, despite the negative impact of the pandemic, net operating profits, which represent our earnings power in mainstream operations, totaled ¥1,248.4 billion, up ¥63.9 billion year on year. This was primarily due to improved lending spreads, growth in profits from overseas securities businesses, the positive effect of flexible treasury operations and the contribution of some newly consolidated overseas subsidiaries to the full-year operating results. Our cost reduction efforts at home and abroad also contributed to profit growth. We have thus achieved a second consecutive annual increase in net operating profits.

On the other hand, credit costs increased due to deterioration in corporate performance under the influence of the COVID-19 pandemic and the impact of new accounting standards adopted by overseas subsidiaries. Taking these factors into account, profits attributable to owners of parent amounted to ¥777.0 billion.

Review of the Previous MTBP

Regrettably, we failed to meet our ROE and expense ratio targets, which represent two of three key financial targets set forth in the previous MTBP launched in fiscal 2018.

Under the previous MTBP, we aimed to raise gross profits via the allocation of expenses and risk-weighted assets (RWAs) with the aim of leveraging the expansion of gross profits as a driver for growth in net operating profits. However, in the face of a harsh operating environment attributable to such factors as the prolonged trend toward low interest rates, we switched our path midway through the MTBP period and have ceased to depend on high growth in gross profits. Instead, we began exerting tighter control on expenses and RWAs to maximize profits.

As a result, we succeeded in decreasing expenses in fiscal 2020, reversing the lingering trend toward higher expenses for the first time in nine years. Our operating results have begun to gradually reflect the positive outcomes of ongoing structural reforms, such as cutting back on the workforce and the number of branches. In terms of RWA control, we were also able to expand profits without seeing an increase due to efforts to replace low-profitability assets with high-profitability assets. This approach has been firmly embraced by business groups as part of their autonomous initiatives. Under the new MTBP, we will continue to implement and strengthen these initiatives to enhance our control on management resources, with the aim of raising profitability and improving ROE.

Moving on, I will explain the outcomes of the capital management.

Business Planning and Financial Management

Financial Targets under the New MTBP

The most notable feature of the new MTBP is our commitment to improving our ROE. We will strive to achieve ROE of 7.5% in fiscal 2023. Although this figure may not necessarily be deemed sufficiently high when considering capital costs, we have defined it as a milestone for securing a path toward further future growth. To this end, we have positioned our targets for profits, expenses and RWAs as the three drivers that will enable us to obtain this goal. We will therefore tighten our control on management resources while solidifying the domestic business’s revenue base and enhancing the resilience of our global business, with the aim of becoming, in three years, a financial group capable of stably earning profits of ¥1 trillion or more.

Over the course of the previous MTBP’s three-year period, we invested in Bank Danamon (BDI) in Indonesia as well as in First Sentier Investors (FSL), an asset management (AM) firm based in Australia, and Grab Holdings, a super app operator boasting significant presence in Asia. We have expended a total of approximately ¥1 trillion on these growth investments in accordance with three objectives: (1) completing a robust commercial banking platform in the ASEAN region; (2) strengthening our global AM capabilities; and (3) making entries into a new digital-driven financial business areas.

Having thus made progress in the development of business platforms for future growth, we have also reviewed existing investments to free up our capital resources. This review led us to decide on the divestment of our shares in Standard Life Aberdeen, Dah Sing Financial Holdings and AMP Capital (worth approximately ¥1000 billion in total). We have also divested equity holdings totaling ¥750.0 billion on a fair value basis. With regard to shareholder returns, we paid a total of approximately ¥930.0 billion in dividends and expended a total of ¥1000 billion in share repurchases over the course of the three years. With the sum of these shareholder returns amounting to approximately ¥1300 billion, the total shareholder return ratio stood at approximately 52%. Looking ahead, we will strive to enhance shareholder value and, to this end, strike a balance between strategic investments for sustainable growth and the further enhancement of shareholder returns in the course of capital management.

New MTBP Financial Targets

<table>
<thead>
<tr>
<th></th>
<th>FY 2020 results</th>
<th>FY 2023 targets</th>
<th>Medium-term to long-term targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE</td>
<td>5.6%</td>
<td>7.5%</td>
<td>9%–10%</td>
</tr>
<tr>
<td>CET1 capital ratio*</td>
<td>9.7%</td>
<td>9.5%–10.0%</td>
<td></td>
</tr>
</tbody>
</table>

*Estimated ratio reflecting the RWA increase calculated on the finalized Basel III reforms basis. Excluding net unrealized gains on available-for-sale securities.
Management Strategies and Performance

Message from the CFO

Here, I will elaborate on our basis for defining the three drivers to obtain our ROE target. First, we deem it important to tightly control our management resources in order to stably improve ROE amid the harsh profit environment. RWAs are related to capital, which is the denominator in ROE calculation. Therefore, preventing RWA growth will enable us to exercise solid capital control. This approach is based on takeaways from our success in expanding profits in step with strict RWA control under the previous MTBP. The same shall apply to expenses. For us to maximize profits, the numerator in RCE calculation, we need to build a resilient profit structure via firm control on expenses so that we can avoid excessive dependence on the expansion of gross profits.

Once we have placed tighter control on RWAs, which are related to the denominator, as well as on expenses, which negatively affect profits—the numerator, we must go on to strengthen profitability. In light of strengths currently possessed by MUFG and building on strategic progress it has made thus far under the previous MTBP, we will strive to boost our profitability by reorganizing conventional strategies and initiatives. Also, we will adopt more sophisticated methods for calculating ROE by business group to secure closer linkage between those figures and consolidated ROE. In this way, we will make an all-out effort to achieve our ROE target, with business groups’ ROE positioned as a central KPI for each.

Strategies for Growth—Raising Profitability

The three years of the new MTBP period are concurrent with the latter half of the MUFG Re-Imagining Strategy, which has been promoted since the launch of the previous MTBP. In the course of discussing strategies for growth for the new MTBP, we have freshly examined such factors as the possibility of future market growth, MUFG’s competitive advantages and the validity of strategies it has undertaken thus far. Based on the results of these examinations, we reorganized the strategies of the previous MTBP with a stronger focus on securing future growth. We have thus identified five key strategies for growth, namely, “wealth management” in Japan, “approach of proposing solutions to customer's issues,” “Asia business,” “GCIB & Global Markets” and “Global AM/IS.”

We will strive to raise our profitability via the pursuit of these strategies.

Structure reforms—Expense Control

Over the next three years, we will endeavor to reduce overall expenses, except for items linked to revenues.

In line with the new MTBP, we aim to take a more disciplined approach to expense control. To this end, we have classified expenses into three categories: (1) expenses for business growth; (2) expenses linked to revenues; and (3) all other expenses, collectively “base expenses.” We will closely control these items via a PDCA cycle. Specifically, with the aim of curbing overall expenses, we will pursue reductions in base expenses at home and abroad to free up funds to cover expenses deemed essential to securing growth. (See the diagram below) Moreover, expenses for growth will be narrowly focused on particular areas in business fields subject to our strategies for growth, such as wealth management, Asia business and Global AM/IS. In addition, we will review our resource allocation plans, even those aimed at funding expenses for growth, on an as necessary basis in light of the status of progress in business operations. As such, we will exercise disciplined expense control on a global basis.

Under the previous MTBP, we had defined the expense ratio as a key financial target. However, under the new MTBP, we intend to focus on controlling the volume of expenses as explained above. We expect these endeavors to enable us to curb the expense ratio to the mid-60% range in fiscal 2023.

Structural Reforms—RWA Control

To improve ROE, we aim for the maximization of profits (e.g. lending revenues and fee income) on RWAs while controlling the overall volume of RWAs. This means expanding the numerator in ROE calculation in addition to controlling capital, the denominator. Under the new MTBP, we will step up those of the above initiatives that have proven successful so far, with each business group strengthening its focus on improving its own ROE. With regard to our lending assets at home and abroad, we will push ahead with the replacement of low-profitability assets with high-profitability assets in an effort to expand profits over the three-year period based on maintaining the current RWA level.
Business Portfolio
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. Under the previous MTBP, we invested in Bank Danamon and FSI in line with this approach, thereby securing an extensive business portfolio—a unique asset unmatched by no other domestic megabank—that provides us with access to diverse profit sources. We believe that this diverse business portfolio also served as a key factor helping us succeed in incorporating earnings from robust U.S. investment banking business in fiscal 2020 into our consolidated results via investment in Morgan Stanley.

We have positioned the three years under the new MTBP as a period for making this portfolio even more profitable and resilient. At the same time, we will remain open to undertaking strategic investment as it constitutes an essential method for securing sustainable growth and improving corporate value and, therefore, we continue to consider such investment in Digital, Global AM/IS and other growth fields. However, we have no intention to execute major investments like those undertaken in the course of the previous MTBP period. In this regard, we have entered a new phase of securing returns from investments executed to date to build up our portfolio. Moreover, we will also review existing strategic investments where necessary while considering the optimization of our global network and the execution of business reforms in our Americas and European operations.

Through the pursuit of strategies for growth and structural reforms set forth in the new MTBP, we will strive to solidify the domestic business’s revenue base as well as to enhance the resilience of our global business, with the aim of raising the profitability of each business in our portfolio. This is how we achieve an improvement in consolidated ROE to live up to our foremost commitment as expressed in the new MTBP.

Capital Management

Basic Policy
We consider capital management to be a matter of importance in terms of achieving the ROE target under the new MTBP.

MUFG has been focused on capital management that achieves an appropriate balance among the “capital triangle” objectives, as illustrated below. Upholding this basic policy in the course of executing the new MTBP, we will endeavor to maintain trust and reliability, which are the indispensable traits of a financial institution and largely dependent on its financial soundness. Accordingly, we will engage in capital management in a way that strikes a balance between maintaining financial soundness, undertaking investment in growth fields to raise profitability and further enhancing shareholder returns. By doing so, we will improve our corporate value.

Maintenance of Solid Equity Capital—Establishment of Target Range for the CET1 Capital Ratio
Under the new MTBP, we have set a target range for the CET1 capital ratio, which indicates financial soundness, of 9.5% to 10.0% (finalized Basel III reforms basis, excluding net unrealized gains of available-for-sale securities). Our capital management will entail a disciplined approach focused on maintaining the CET1 capital ratio within this range. Based on a CET1 capital ratio of 9.5% as stipulated by minimum regulatory requirements applied to MUFG, this target range was determined by taking into account such factors as the results of the multifaceted verification of the necessary stress buffer and the level of capital required of a financial institution desiring the “A” rating—our target rating—granted by external rating agencies. With a CET1 capital ratio of 9.5% defined as the bottom line, we have thus set the target range with a breadth of 0.5%.

As shown in the graph below, our CET1 capital ratio as of March 31, 2021 was 9.7%, or the middle of this range. When the level of capital falls within the target range, we intend to maintain progressive dividends while considering, in light of prevailing circumstances, whether to undertake additional shareholder return activities, including share repurchases, strategic investments for sustainable growth and/or measures aimed at capital accumulation within the target range. Moreover, if our CET1 capital ratio exceeds 10%, we will take a more proactive approach to undertaking share repurchases and other shareholder returns while pushing ahead with capital utilization aimed at enhancing profitability.

Management of the CET1 Capital Ratio within the Target Range (finalized Basel III reforms basis; excluding net unrealized gains on available-for-sale securities)*

![Diagram showing the CET1 capital ratio maintenance within the target range](image)

**Management of the CET1 Capital Ratio within the Target Range (finalized Basel III reforms basis; excluding net unrealized gains on available-for-sale securities)**

<table>
<thead>
<tr>
<th>CET1 capital ratio</th>
<th>Target range</th>
<th>Management strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.5% - 10.0%</td>
<td>Maintain CET1 capital ratio</td>
<td>Strategic investments for sustainable growth</td>
</tr>
<tr>
<td>Above 10.0%</td>
<td>Consider additional shareholder returns</td>
<td>Dividends</td>
</tr>
<tr>
<td>Below 9.5%</td>
<td>Implement additional capital reduction</td>
<td>Progressively increase dividends, with a payout ratio target of 40%</td>
</tr>
</tbody>
</table>

Further Enhancement of Shareholder Returns
Further enhancing shareholder returns remains an important management issue for MUFG.

In line with our Basic Policies for Shareholder Returns, (1) MUFG 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. By the end of fiscal 2023, we will thus aim to progressively raise the dividend payout ratio to 40%. At the same time, (2) MUFG 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 the market environment, including share prices, as share repurchases constitute a shareholder return measure contributing to improvement in capital efficiency. Lastly, (3) MUFG will cancel treasury shares in excess of approximately 5% of the total number of issued shares.

Our capital allocation plans for the three years under the new MTBP are as outlined in the diagram on the right. We will appropriately allocate profits attributable to owners of parent earned during the course of the new MTBP period to improve MUFG’s corporate value as well as to enhance shareholder value. With regard to dividends, we aim to progressively raise our dividend payout ratio to 40% over the course of the period leading up to the end of fiscal 2023, premised on achieving profits attributable to owners of parent of ¥1 trillion or more in line with our fiscal 2023 target. Taking these factors into account, our dividend forecast for fiscal 2023 consists of a full-year dividend of ¥27 per share, an increase of ¥2 per share from the previous fiscal year.

While ruling out the possibility of an increase in RWAs in the course of capital management aimed at maintaining the CET1 capital ratio within the target range of 9.5% to 10.0%, in fiscal 2022 we will cease the recording of mandatory-capital allowances associated with the phased expiration of the special regulatory exemption regarding our emergency investment in Morgan Stanley (MS). Therefore, we expect considerable capital surplus to emerge some time over the three years of the MTBP. Although our general plan is to allocate capital surplus to strategic growth investments and/or activities to secure additional shareholder returns, such as share repurchases, consider share repurchases to be the foremost option in light of the pressing need to improve capital efficiency due to current stagnation in MUFG’s stock prices, with the Price Book Value ratio (PIB) falling short of 0.5 times.
Message from the CFO

Enhancement of Stock Price and Shareholder Value

For MUFG, enhancing shareholder value is as important as the further enhancement of shareholder returns. As stated earlier, the currently stagnant PBR is largely attributable to our ROE falling short of capital cost. We therefore consider low ROE to be a major factor leading to our extremely sluggish stock price at present. Taking this situation seriously, we will do our utmost to reverse MUFG stock’s current market reputation.

Looking at the recent trend in TSR, a generally accepted indicator for shareholder value, MUFG’s TSR over the past 10 years has remained lower than the market average (TOPIX) and it has not exceeded the performance of competitors. In response, we will always stay conscious of TSR as an important indicator for improving shareholder value as we strive to become capable of garnering a solid reputation in the capital market on an ongoing basis. Particularly over the next three years of the new MTBP, we will enhance shareholder value by focusing on achieving a more robust ROE and further enhancing shareholder returns via dividends and share repurchases.

Divestment of Equity Holdings

In line with our basic policy of reducing equity holdings, we have divested such holdings by an amount equivalent to ¥870.0 billion (on an acquisition-cost basis), far in excess of our target of ¥600.0 billion, over the six years from fiscal 2015 to fiscal 2020. We aim to divest such holdings worth ¥300.0 billion or more during the course of three years of the new MTBP.

Initiatives to Address Environmental and Social Issues

MUFG’s commitment to addressing environmental and social issues is reflected in its financial and capital management. Our fiscal 2020 achievements in this light included having become the first in Japan to issue Sustainability Bonds to finance such initiatives as countermeasures against COVID-19 in June 2020. We also became the first in the world to issue similar Sustainability Bonds for individual investors in September 2020.

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. Accordingly, we are committed to complying with laws and regulations enforced in countries and regions in which we operate and fulfilling our tax obligations in a fair and appropriate manner.

Dialogue with Shareholders and Other Stakeholders

As we aim to help our stakeholders to gain a good overview of MUFG’s strategic endeavors employing its unique and extensive business portfolio, we believe that providing them with accurate and timely explanations of our operations is a matter of importance.

In the face of the COVID-19 pandemic, we have striven to secure opportunities for dialogue between top management and investors at home and abroad in fiscal 2020 by utilizing web-based tools to hold various investor meetings, both one-on-one and small meetings. Also, we held an Investor Day event that involved presentations by the heads of six business groups and the Chief Digital Transformation Officer (CDTO).

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.

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.

Having positioned the new MTBP period as “three years of new challenges and transformation,” we will continue to pursue sustainable growth and improvement in corporate value and, to this end, practice financial and capital management focused on taking on those new challenges and achieving that transformation. We ask for your continuous support in this endeavor.
Management Strategies and Performance

Financial Review for Fiscal 2020

Consolidated Income Statement Summary

As a result, ordinary profits decreased by ¥182.1 billion from the previous fiscal year. Profits Attributable to Owners of Parent are based on approximate calculation, with the applicable tax ratio set at 30%.

The figures reflect the percentage holding in each subsidiary and equity method investee's equity as of the end of each fiscal year. Includes the effect of measures undertaken by MUFG to adapt to changes in the business environment under the pandemic's influence.

1 Based on an approximation of the pandemic's financial impact on main items calculated through comparison with an estimated level of profits before income taxes assuming a scenario in which COVID-19 did not emerge. Includes the effect of measures undertaken by MUFG to adapt to changes in the business environment under the pandemic's influence.


Performance by Business Group

R&C and ICIB saw decreases in net operating profits due primarily to a decline in the volume of transactions in the face of the COVID-19 pandemic and the negative impact of lower U.S. interest rates on profit. However, the other three customer segments achieved growth in net operating profits. As a result, overall net operating profits from customer segments increased by ¥32.0 billion, maintaining the upward trend seen in the previous fiscal year.

Breakdown of Changes in Net Operating Profits by Business Segment

For fiscal 2021, MUFG expects the global economy to recover continuously in stop with the resumption of economic activities in countries around the world, based on certain assumptions with regard to such pandemic-related factors as progress in vaccination, the enforcement or lifting of movement restrictions and the release of stimulus packages. However, MUFG also believes that the pace of economic recovery will vary largely by country and generally remain modest as great care must be taken to maintain measures to prevent the spread of infection.

In line with the above projections, we have set our target for profits attributable to owners of parent at ¥850.0 billion as our fiscal 2021 financial target.
**Management Strategies and Performance**

**Financial Review for Fiscal 2020**

**Investment Securities**

The balance of available-for-sale securities increased by ¥17.7 trillion due to such factors as a ¥13.3 trillion increase to reflect growing emphasis placed on domestic bond positions. Net unrealized gains on available-for-sale securities remained robust at a little under ¥4 trillion. Despite a ¥63.1 billion decrease in net unrealized gains on foreign bonds, net unrealized gains on domestic equity securities improved significantly by ¥1.2 trillion backed by an upturn in stock market conditions.

As of March 31, 2021, net unrealized gains on domestic bonds and foreign bonds amounted to approximately ¥12.5 billion and ¥103.0 billion, respectively. Looking ahead, we will undertake a number of initiatives to further improve the present valuation of our existing asset portfolio. The objective is to ensure that our portfolio continues to provide adequate returns to shareholders.

**Loans / Deposits**

Loans totaled ¥307.5 trillion, a slight decrease from March 31, 2020. Domestic individual deposits, domestic corporate deposits and overseas branch deposits increased by ¥5.5 trillion, ¥13.1 trillion and ¥5.1 trillion, respectively, with the overall deposit balance amounting to ¥215.5 trillion.

Excluding the impact of foreign exchange fluctuations, the balance of non-JPY loans for overseas borrowers decreased ¥5.9 trillion, while overseas deposits increased ¥4.2 trillion from the previous fiscal year-end. The gap between non-JPY deposits and lending balances has been reduced.

The volume of risk-monitored loans increased from the previous fiscal year for both domestic and overseas loans. However, the non-performing loan (NPL) ratio—the ratio of risk-monitored loans to total loans—remained low at around 1%.

**Loans (Period-end balance)**

<table>
<thead>
<tr>
<th>Loans (Period-end balance)</th>
<th>As of Mar. 31 (Trillions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic corporate, etc.</td>
<td>109.6</td>
</tr>
<tr>
<td>Overseas</td>
<td>107.7</td>
</tr>
</tbody>
</table>

**Deposits (Period-end balance)**

<table>
<thead>
<tr>
<th>Deposits (Period-end balance)</th>
<th>As of Mar. 31 (Trillions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic individual</td>
<td>175.9</td>
</tr>
<tr>
<td>Domestic corporate, etc.</td>
<td>180.1</td>
</tr>
<tr>
<td>Overseas</td>
<td>180.6</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Available for-sale Securities with Fair Value</th>
<th>As of Mar. 31 (Trillions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic equity securities</td>
<td>5,216.3</td>
</tr>
<tr>
<td>Foreign bonds</td>
<td>40,552.2</td>
</tr>
</tbody>
</table>

**TLR Ratio**

MUFJ is subject to the TLR 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).

MUFJ aims to enhance its external TLAC capital by issuing TLAC-eligible senior debt in overseas markets and by issuing subordinated debt in the domestic market.

In fiscal 2020, MUFJ raised approximately ¥400.0 billion in external TLAC capital by issuing TLAC-eligible senior bonds worth approximately ¥400.0 billion, as well as perpetual subordinated debt and dated subordinated debt totaling approximately ¥300.0 billion.

As a result, the external TLAC ratio as of March 31, 2021 (see the graph on the right) was 18.94%, well above the regulatory requirement of 16%.

**Capital Adequacy**

<table>
<thead>
<tr>
<th>Capital Adequacy (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Equity Tier 1 capital ratio</td>
</tr>
<tr>
<td>Tier 1 capital ratio</td>
</tr>
</tbody>
</table>

**RWA-based External TLAC Ratio**

<table>
<thead>
<tr>
<th>Total capital ratio 16%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum requirement</td>
</tr>
<tr>
<td>External TLAC ratio</td>
</tr>
<tr>
<td>CET1 Buffers (4.0%)</td>
</tr>
</tbody>
</table>

**Total Capital**

Common Equity Tier 1 capital increased by ¥403.3 billion from March 31, 2020, due mainly to the accumulation of profit and an increase in accumulated other comprehensive income.

While Tier 2 capital increased by ¥300.0 billion from the previous fiscal year-end, total capital ratio by ¥389.9 billion to ¥18,669.5 billion.

**Risk Weighted Assets (RWA)**

Although credit-risked RWA increased, RWA decreased by ¥76.2 billion from March 31, 2020, reflecting a decline in floor adjustments.

**Capital Adequacy**

The Common Equity Tier 1 capital ratio, the most important indicator representing the capital adequacy of financial institutions, stood at 12.3%. On an estimated basis reflecting the RWA increase calculated on the finalized Basel III reform's basis, the Common Equity Tier 1 capital ratio amounted to 11.9%, suggesting sufficient capital adequacy.

In addition, the leverage ratio amounts to 5.45%, well above the regulatory requirement of 3%.

**TLAC Ratio**

MUFJ 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).

MUFJ aims to enhance its external TLAC capital by issuing TLAC-eligible senior debt in overseas markets and by issuing subordinated debt in the domestic market.

In fiscal 2020, MUFJ raised approximately ¥400.0 billion in external TLAC capital by issuing TLAC-eligible senior bonds worth approximately ¥400.0 billion, as well as perpetual subordinated debt and dated subordinated debt totaling approximately ¥300.0 billion.

As a result, the external TLAC ratio as of March 31, 2021 (see the graph on the right) was 18.94%, well above the regulatory requirement of 16%.

**TLAC Ratio**

<table>
<thead>
<tr>
<th>TLAC Ratio</th>
<th>As of end Mar. 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum requirement</td>
<td>4.1%</td>
</tr>
<tr>
<td>External TLAC Ratio</td>
<td>3.8%</td>
</tr>
<tr>
<td>CET1 Buffers (4.0%)</td>
<td>0.4%</td>
</tr>
</tbody>
</table>
## Eleven-Year Summary of Major Financial Data

### Financial Statements

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Profit before income tax</th>
<th>Income tax</th>
<th>Net income</th>
<th>EPS (yen)</th>
<th>Dividends per share (yen)</th>
<th>Tier 1 Capital ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>3,522.5</td>
<td>2,020.0</td>
<td>1,502.5</td>
<td>39.95</td>
<td>12.0</td>
<td>11.33%</td>
</tr>
<tr>
<td>2012</td>
<td>3,599.2</td>
<td>1,840.5</td>
<td>1,758.7</td>
<td>68.09</td>
<td>12.0</td>
<td>12.15%</td>
</tr>
<tr>
<td>2013</td>
<td>3,634.2</td>
<td>1,875.0</td>
<td>1,759.2</td>
<td>58.99</td>
<td>13.0</td>
<td>12.63%</td>
</tr>
<tr>
<td>2014</td>
<td>4,229.0</td>
<td>1,878.6</td>
<td>2,350.4</td>
<td>68.29</td>
<td>16.0</td>
<td>13.37%</td>
</tr>
<tr>
<td>2015</td>
<td>4,143.2</td>
<td>2,113.3</td>
<td>2,030.9</td>
<td>74.55</td>
<td>18.0</td>
<td>13.43%</td>
</tr>
<tr>
<td>2016</td>
<td>4,011.8</td>
<td>2,104.3</td>
<td>1,907.5</td>
<td>74.28</td>
<td>18.0</td>
<td>13.41%</td>
</tr>
<tr>
<td>2017</td>
<td>3,854.2</td>
<td>1,908.3</td>
<td>1,945.9</td>
<td>75.55</td>
<td>18.0</td>
<td>13.42%</td>
</tr>
<tr>
<td>2018</td>
<td>3,725.7</td>
<td>1,922.7</td>
<td>1,803.0</td>
<td>76.28</td>
<td>18.0</td>
<td>13.39%</td>
</tr>
<tr>
<td>2019</td>
<td>3,983.3</td>
<td>1,892.9</td>
<td>2,090.4</td>
<td>89.83</td>
<td>20.0</td>
<td>13.50%</td>
</tr>
<tr>
<td>2020</td>
<td>3,997.9</td>
<td>1,965.1</td>
<td>2,032.8</td>
<td>98.93</td>
<td>20.0</td>
<td>13.52%</td>
</tr>
</tbody>
</table>

### Financial Ratios

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE</td>
<td>6.55%</td>
<td>10.60%</td>
<td>7.96%</td>
<td>8.05%</td>
<td>7.38%</td>
<td>6.18%</td>
<td>6.02%</td>
<td>7.62%</td>
<td>6.32%</td>
<td>5.41%</td>
</tr>
<tr>
<td>PER</td>
<td>9.6</td>
<td>6.0</td>
<td>9.4</td>
<td>10.2</td>
<td>11.0</td>
<td>9.8</td>
<td>9.7</td>
<td>10.2</td>
<td>9.4</td>
<td>9.7</td>
</tr>
<tr>
<td>Dividend Payout Ratio</td>
<td>30.4%</td>
<td>37.7%</td>
<td>29.4%</td>
<td>33.7%</td>
<td>29.4%</td>
<td>33.7%</td>
<td>30.4%</td>
<td>37.7%</td>
<td>29.4%</td>
<td>33.7%</td>
</tr>
</tbody>
</table>

### Management Strategies and Performance

- **Value Creation Management Strategies**
- **Leadership and Governance**
- **Management Strategies and Performance**
- **Financial Data / Corporate Data**

### Notes

1. Figures based on fiscal year-end share price
2. Figures based on fiscal year-end share price
3. Figures based on fiscal year-end share price
4. Figures based on fiscal year-end share price
5. Figures based on fiscal year-end share price
6. Figures based on fiscal year-end share price
7. Figures based on fiscal year-end share price
8. Figures based on fiscal year-end share price
9. Figures based on fiscal year-end share price
10. Figures based on fiscal year-end share price

### Additional Information

- **Currency exchange rate (USD/JPY) (yen)**
- **Current exchange rate (USD/JPY) (yen)**
- **Current exchange rate (USD/JPY) (yen)**
- **Current exchange rate (USD/JPY) (yen)**
- **Current exchange rate (USD/JPY) (yen)**
- **Current exchange rate (USD/JPY) (yen)**
- **Current exchange rate (USD/JPY) (yen)**
- **Current exchange rate (USD/JPY) (yen)**
- **Current exchange rate (USD/JPY) (yen)**
- **Current exchange rate (USD/JPY) (yen)**

### References

- **MUFG Report 2021**
- **MUFG Report 2021**
- **MUFG Report 2021**
- **MUFG Report 2021**
- **MUFG Report 2021**
- **MUFG Report 2021**
- **MUFG Report 2021**
- **MUFG Report 2021**
- **MUFG Report 2021**
- **MUFG Report 2021**
Financial and Non-Financial Highlights

**Profits Attributable to Owners of Parent**

<table>
<thead>
<tr>
<th>Year</th>
<th>ROE (%)</th>
<th>Profits attributable to owners of parent (left axis)</th>
<th>Earnings per share (EPS) (right axis)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>2017</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>2018</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>2019</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>2020</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>

**Common Equity Tier 1 Capital Ratio**

- **Target**: 9.5% to 10.0% (FY2023 and medium-term to long-term)
- **Current**: 12.3%

**Balance of Equity Holdings**

- **Target**: $17.8 trillion

**CO2 Emissions Reduced via Renewable Energy Project Financing**

- **Target**: Cumulative total from fiscal 2019 to fiscal 2030
- **Amount of Funds Extended in Sustainable Finance**
- **Balance of Project Financing for Coal-Fired Power Generation**

**Management Strategies and Performance**

- **Target**: Fiscal 2023
- **Target**:Amount of Funds Extended in Sustainable Finance
- **Target**: Balance of Project Financing for Coal-Fired Power Generation

**Leadership and Governance**

- **Target**: Fiscal 2023
- **Target**: Amount of Funds Extended in Sustainable Finance
- **Target**: Balance of Project Financing for Coal-Fired Power Generation

**Financial Data / Corporate Data**

- **Target**: Fiscal 2023
- **Target**: Amount of Funds Extended in Sustainable Finance
- **Target**: Balance of Project Financing for Coal-Fired Power Generation

Net operating profits increased despite a decrease in the volume of transactions due to the COVID-19 pandemic and the negative impact of lower interest rates. Gross profits increased mainly due to the consolidation of Bank Danamon and First Sentinel Investors (FSI) and an increase in market-related profits in addition to the effect of cost reductions domestically and overseas. Profits attributable to owners of parent increased and caused ROE and EPS to improve, due to lack of net extraordinary losses resulting from one-time amortization of goodwill recorded previous year partially offset by the increase in total credit costs.

Despite increased expenses arising from the consolidation of Bank Danamon and FSI and a general administrative expenses decrease due to cost reduction in expenses domestically and overseas initiated by tight control, achieving a turnaround from the upward trend and leading to an improvement in the expense ratio.

Our Common Equity Tier 1 capital ratio remains robust and sufficient due to an ongoing tight grip on risk-weighted assets (RWAs), the denominator in the calculation of this ratio.

Our disciplined approach to RWAs control helped curb growth in RWAs even as we placed priority on meeting fundraising needs among our customers.

In line with chronic policy of reducing the balance of equities held for the purpose of policy-oriented investment, we divested equity holdings with $17.70 billion (on an acquisition cost basis) in fiscal 2022.

In May 2021, we announced our target of reducing the volume of greenhouse gas emissions from our own operations to net zero by the end of 2020. We will raise the ratio of renewable energy to purchased energy used by domestic offices and branches of the Bank, the Trust Bank, and the Securities to 100% by the end of the fiscal 2023.
Business Group Performance

Retail & Commercial Banking Business Group*1

<table>
<thead>
<tr>
<th>Breakdown</th>
<th>FY 2020</th>
<th>FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>16%</td>
<td></td>
</tr>
<tr>
<td>Deposits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic and foreign settlement / taxes</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>Derivatives, solutions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate, corporate agency and allowances</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>Card settlement</td>
<td>21%</td>
<td></td>
</tr>
<tr>
<td>Consumer finance</td>
<td>21%</td>
<td></td>
</tr>
<tr>
<td>Overseas</td>
<td>3%</td>
<td></td>
</tr>
</tbody>
</table>

Japanese Corporate & Investment Banking Business Group*2

<table>
<thead>
<tr>
<th>Breakdown</th>
<th>FY 2020</th>
<th>FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>24%</td>
<td></td>
</tr>
<tr>
<td>Deposits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic and foreign settlement / taxes</td>
<td>14%</td>
<td></td>
</tr>
<tr>
<td>Derivatives, solutions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate, corporate agency</td>
<td>9%</td>
<td></td>
</tr>
<tr>
<td>Non-interest income (overseas business)</td>
<td>9%</td>
<td></td>
</tr>
</tbody>
</table>

Global Corporate & Investment Banking Business Group*1

<table>
<thead>
<tr>
<th>Breakdown</th>
<th>FY 2020</th>
<th>FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>36%</td>
<td></td>
</tr>
<tr>
<td>Deposits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commissions, fees and derivatives</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>ECM and ECM 6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profits from large global corporates located in Japan, etc.</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Joint venture profits with Global Markets</td>
<td>7%</td>
<td></td>
</tr>
</tbody>
</table>

Overview of FY 2020 Results

Despite advances in cost reductions, net operating profits were down year on year due mainly to the decreased volume of transactions involving card settlement, foreign settlement / forex and consumer businesses in addition to a decline in deposit revenues that reflected lower U.S. interest rates.

Overview of FY 2020 Results

Net operating profits fell year on year, despite growth in net interest income from loans reflecting the higher loan balances, due to decreases in deposit revenues and lower revenues from securities primary business and foreign settlement / forex.

Overview of FY 2020 Results

Although deposit revenues decreased due to a decline in U.S. interest rates, net operating profits grew year on year thanks to the accumulation of profits from DCM transactions, arising from opportunities from customer trends toward securing robust liquidity along with growth in net interest income from loans.

Global Commercial Banking Business Group*1

<table>
<thead>
<tr>
<th>Breakdown</th>
<th>FY 2019</th>
<th>FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net operating profits (billion yen)</td>
<td>299.9</td>
<td>258.3</td>
</tr>
<tr>
<td>Expense ratio</td>
<td>80%</td>
<td>82%</td>
</tr>
<tr>
<td>ROE</td>
<td>10%†</td>
<td>5%</td>
</tr>
</tbody>
</table>

*1 Managerial accounting basis. Local currency basis. Gross profits, expenses and net operating profits include profits from overseas transactions with Japanese corporate customers and profits from business owner transactions, which belong to R&C. ROE is calculated using RWA and is based on net profits, excluding non-JPY medium- to long-term funding costs. Gross profit breakdown excludes profits or losses from others.

*2 ROE excluding the impact of one-time tax effect is 6%.

*3 After GAAP adjustment. Excluding figures belonging to Trust/Securities subsidiaries, JCIB, GCIB and Global Markets.

*4 ROE excluding the impact of one-time amortization of goodwill and impairment loss is 5%.

Overview of FY 2020 Results

Despite the impact of lower U.S. interest rates, net operating profits were up year on year, reflecting the accumulation of profits from large Japanese corporate and joint venture business due to a high volume of transaction volumes under the influence of the COVID-19 pandemic, net operating profits rose year on year, reflecting the accumulation of deposits and loans backed by customer trends in Thailand toward securing robust liquidity, as well as the positive effect of business consolidations and cost reductions in Indonesia.

Overview of FY 2020 Results

Net operating profits rose year on year, with profit contribution by FSI and growth in the balance of asset management products for domestic institutional investors outpacing a decline in revenues attributable to the lower rate of fees and commissions.

Overview of FY 2020 Results

Although customer segment businesses were affected by a decrease in exchange transactions under the influence of the COVID-19 pandemic, net operating profits grew year on year thanks to an increase in flow trading for institutional investors and the effect of flexible treasury operations that took timely advantage of interest rate declines.

Overview of FY 2020 Results

Despite the impact of lower U.S. interest rates, net operating profits were up year on year, reflecting the accumulation of profits from large Japanese corporate and joint venture business due to a high volume of transaction volumes under the influence of the COVID-19 pandemic, net operating profits rose year on year, reflecting the accumulation of deposits and loans backed by customer trends in Thailand toward securing robust liquidity, as well as the positive effect of business consolidations and cost reductions in Indonesia.

Overview of FY 2020 Results

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Overview of FY 2020 Results

Net operating profits rose year on year, with profit contribution by FSI and growth in the balance of asset management products for domestic institutional investors outpacing a decline in revenues attributable to the lower rate of fees and commissions.
Digital Service Business Group (DS)

A financial services specialist relied on by society as a whole and capable of helping customers resolve their anxieties about finance

A financial and digital platform operator boasting an overwhelming presence as Japan’s leading bank

A robust customer base and an extensive network of business bases at home and abroad

The safe and secure systems necessary for collaboration with external corporations in providing non-face-to-face services in addition to hard-earned customer trust and confidence

Key Strategies under the New MTBP

Outlines of the Business Group

In terms of customer segments, the Digital Service (DS) Business Group is tasked with strengthening non-face-to-face transactions with corporate clients and individual customers in Japan. Functionally, the business group also spearheads across-the-board digital transformation (DX) efforts, acting as an “L-shaped” organization. The DS was established in April 2021 through the consolidation of authority for digital technologies and administrative operations, with the aim of securing speedier decision making and execution capabilities. Relying these resources, the DS will strive to innovate MUFG’s non-face-to-face business model in addition to spearheading across-the-board operational process reforms ranging from bank-counter to back-office operations and achieving cost reductions.

Roles Assigned to the DS Business Group

Innovate a Non-Face-to-Face Business Model for MUFG

Through smartphone apps and other channels, we will deliver financial services finely tuned to meet varying customer needs in light of their life stages in a way that fully takes advantage of digital technologies.

We will also collaborate with external corporations to establish a model for making our financial services accessible to their customer bases. In these ways, we will enhance contact points with customers while penetrating the realm of daily consumer activities to accurately assess their needs.

Promote the DX-Driven Operational Streamlining and Cost Reduction

We will undertake such measures as digitizing bank-counter procedures and deploying tablets with the aim of simultaneously achieving improved customer convenience and more efficient administrative operations. To this end, we aim to raise the ratio of bank-counter procedures that can also be completed via online alternatives to 75% by the end of fiscal 2023. Simultaneously, we will push ahead with consolidating branch administrative work at back-office centers while promoting digital-driven operational automation. Through these efforts, by the end of fiscal 2023 we hope to reduce the workload by an amount equivalent to the labor of more than 10,000 employees compared with the fiscal 2017 level.

For more details, please also refer to pages 67-68.

*1 ROE is calculated using RWAs (Managerial accounting basis. Net profit basis. Calculated excluding non-JPY medium-term funding costs)

Masakazu Osawa
Group Head, Digital Service Business Group

Review of Progress under the Previous Medium-Term Business Plan (MTBP)

Accomplishments

- Grew the number of internet banking users to 72 million by the end of fiscal 2020
- Via the use of digital technologies, reduced the workload by an amount equivalent to the labor of approximately 4,400 employees over the fiscal 2017-2020 period
- Made progress in open innovation involving external collaboration to create new businesses

Challenges

- Provision of digital-driven, stress-free and swift services available at any time from anywhere
- Cost reductions via, for example, the downsizing of branch facilities and the consolidation of branches
- Expansion of transactional contact points via alliance and partnerships with external corporations

KPIs under the New MTBP

<table>
<thead>
<tr>
<th>KPIs</th>
<th>FY 2023 plan</th>
<th>Change from FY 2020</th>
<th>Initiatives to achieve ROE target</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE components</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net operating profits</td>
<td>¥205.0 billion</td>
<td>¥30.0 billion</td>
<td>Develop non-face-to-face business models</td>
</tr>
<tr>
<td>Expense ratio</td>
<td>73%</td>
<td>-4%</td>
<td>Promote operational streamlining and cost reductions via digitalization</td>
</tr>
<tr>
<td>RWAs</td>
<td>¥9.2 trillion</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ROE:

For an overview of the business groups, please refer to pages 17-18.

Strengths of the Business Group

Customer segments (vertical axis)

Consolidated essential functions and authority

Strengthen non-face-to-face transactions with corporate clients and individual customers in Japan

An “L-shaped” organization

DS

Roles Assigned to the DS Business Group

Cross-organizational functions (horizontal axis)

 Assist other business groups in their pursuit of strategies for growth and structural reforms

Spearhead across-the-board DX efforts

Strategies for growth

Structural reforms

DX assistance

Cross-organizational functions (horizontal axis)

Digital financial services

Settlement and payment

Back-office process reforms

Data-driven marketing

Digitalization

Utilization of AI

Channel strategies

Open innovation

Structural reforms

DX assistance

NCGS / ACOM collaboration

R&C

JCIB

GCIB

GCB

AM/10

Global Markets

For an overview of the business groups, please refer to pages 17-18.
### Retail & Commercial Banking Business Group (R&C)

- **Vision for the Business Group**
  - Help people enjoy abundant lives while contributing to growth and business expansion for corporate clients
  - A team of finance professionals with unparalleled strength in Japan

- **Strengths of the Business Group**
  - The most extensive individual and corporate customer base in Japan
  - Comprehensive capabilities afforded by Group companies to meet diverse customer needs

#### Review of Progress under the Previous Medium-Term Business Plan (MTBP)

**Accomplishments**
- Accelerated cost structure reforms via the integration of corporate and retail banking functions that had previously been separated and the use of a groupwide, integrated approach to operational streamlining
- Stepped up collaboration between the Bank and the Securities, as well as between the Bank and the Trust Bank, in such business fields as asset management, asset administration and real estate
- Fulfilled our social mission as a financial institution by assisting customers in their fundraising efforts amid fallout from the COVID-19 pandemic

**Challenges**
- Further promote a business model employing a groupwide, integrated approach
- Improve productivity via the digital shift
- Enhance earnings power via the integrated operation of corporate banking and wealth management (WM) as well as the expansion of value chains associated with retail clients

#### KPIs under the New MTBP

<table>
<thead>
<tr>
<th>ROE components</th>
<th>FY 2023 plan</th>
<th>Change from FY 2020</th>
<th>Initiatives to achieve ROE target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net operating profits</td>
<td>¥140.0 billion</td>
<td>¥75.0 billion</td>
<td>Enhance earnings power <em>(1) Promote corporate banking and WM solutions in an integrated manner</em></td>
</tr>
<tr>
<td>Expense ratio</td>
<td>77%</td>
<td>-1%</td>
<td><em>(2) Expand retail banking value chains</em></td>
</tr>
<tr>
<td>RWAs</td>
<td>¥16.6 trillion</td>
<td></td>
<td>Digital shift</td>
</tr>
</tbody>
</table>

*ROE is calculated using RWAs (Managerial accounting basis. Net profit basis. Calculated excluding non-JPY medium- to long-term funding costs)

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### Key Strategies under the New MTBP

#### Wealth Management

We meet the needs of customers who face a variety of challenges in connection with their invaluable assets by rallying resources afforded by the Bank, the Trust Bank and the Securities. Specifically, we help resolve issues customers are confronting via the cross-transactional business and the asset management business, both of which employ a groupwide, integrated approach.

#### Cross-Transactional Business (the integration of corporate banking and WM solutions)

The cross-transactional business refers to a type of business that takes full advantage of the comprehensive capabilities afforded by Group companies, namely, the Bank, the Trust Bank and the Securities. We leverage our extensive corporate customer base to reach out to business owners, who account for approximately 60% of our affluent customers and, starting with meeting their fundamental needs for business succession, we deliver lending, testament, real estate, M&A, IPO and other high-value-added services backed by our comprehensive strengths.

#### Asset Management Business (expansion of value chains associated with retail clients)

We provide advisory services that accurately meet needs among customers seeking stable, medium- to long-term asset building solutions or otherwise tackling various asset issues, including the need for asset reshuffling, identified in the course of cross transactions with us. Under the MUFG Wealth Management brand, we also provide informational services, such as market outlook and investment commentaries, while enhancing our advisory functions via the development of a strictly selective product lineup and the proposal of desirable portfolios.

#### Digital Shift

We are pushing ahead with the digital shift to secure the ability to accommodate changes in customer needs and businesses in step with the evolving socio-economic environment. As part of these efforts, we released the “Bizry” online service in 2021 to enable customers to engage in business matching and negotiation meetings at anytime from anywhere via the use of non-face-to-face tools. Employing this service, we will help customers execute robust business strategies and otherwise resolve management challenges they are facing.

Also, our plans call for the full-scale launch of the “WM Digital Platform,” a new online service supported by insights offered by Morgan Stanley, in the second half of fiscal 2021. This move is intended to consolidate our data for customer profiling while enhancing our capabilities to deliver timely and proper advice and proposals on the basis of total assets held by each customer.

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### Example of Screen Layouts of the WM Digital Platform

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Japanese Corporate & Investment Banking Business Group (JCIB)

For an overview of the business groups, please refer to pages 17–18.

Vision for the Business Group

Grow together with customers by sharing business risk

Realize “staircase management”; steadily climb a growth staircase and achieve year-on-year improvement toward the goals of the Medium-Term Business Plan in three years

Review of Progress under the Previous Medium-Term Business Plan (MTBP)

Accomplishments

- Stably upgraded a business approach focused on helping corporate clients resolve their management challenges via the establishment of the RM/PO model, enabling us to deliver solutions that are comprehensive in nature, and affording the Group
- Narrowed the non-JPY loan-to-deposit gap by increasing the sophistication of balance sheet management
- Improved non-JPY lending spreads via OIO* and pricing management conscious of funding costs
- Successfully sold equity holdings in excess of the target

Challenges

- Improve ROE by taking a thoroughly profitability-focused approach conscious of capital costs
- Develop a business model enabling us to grow sustainably even in the low interest rate environment
- Step up new business initiatives aimed at helping corporate clients resolve their business and management challenges, including those arising from the accelerating shift in social structure and growing importance of business response to ESG issues

Strengths of the Business Group

- Capable of delivering sophisticated solutions by taking advantage of groupwide collaboration and an integrated cross-regional approach
  - A global reach in the securities field
  - Capable of delivering full-line trust banking services
  - Extensive global network, the largest of its kind among domestic banks

Stably achieve ongoing year-on-year improvement toward the goals of the previous MTBP, we will strive to strengthen our existing businesses and business initiatives aimed at helping corporate clients resolve the business and management challenges they are confronting.

For an overview of the business groups, please refer to pages 17–18.

KPIs under the New MTBP

<table>
<thead>
<tr>
<th>ROE*</th>
<th>9%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change from FY 2020</td>
<td>+4%</td>
</tr>
<tr>
<td>Initiatives to achieve ROE target</td>
<td></td>
</tr>
<tr>
<td>Take a thoroughly profitability-focused, capital-cost conscious approach</td>
<td></td>
</tr>
<tr>
<td>Develop a business model enabling us to grow sustainably</td>
<td></td>
</tr>
<tr>
<td>Stably achieve ongoing year-on-year cost reductions</td>
<td></td>
</tr>
<tr>
<td>Enhance our capabilities to accommodate emerging customer needs in terms of risk-taking and responsiveness to new fields</td>
<td></td>
</tr>
</tbody>
</table>

ROE* is calculated using RWAs (Managerial accounting basis. Net profit basis. Calculated excluding non-JPY medium-to-long term funding costs)

Key Strategies under the New MTBP

Establish a Business Model Focused on Achieving Higher ROE

In line with the new MTBP, our efforts to establish a business model focused on achieving higher ROE include the upgrading of our methods for profitability management by client. To this end, we have made it easier to visually check expenses, returns and capital costs in a consolidated manner that encompasses corporate clients at home and abroad. (See the diagram below depicting four portfolio categories based on the two axes of profitability and risk-weighted assets (RWAs).) We will strive to reduce the balance of low-profitability lending while engaging in proactive risk-taking in fields with potential for high profitability. In this way, we will maintain proper control on both profitability and RWAs.

Also, we have introduced a performance evaluation system linked with ROE, thereby securing closer linkage between the assessment of employee accomplishments and financial accounting indices. With our sales efforts sharply focused on improving ROE, we will strive to establish a business model supporting sustainable growth.

Approach of Proposing Solutions to Customer's Issues

Today’s large, Japanese corporate clients are operating in a business environment that is more complex than ever due to such factors as increasingly faster changes in the social structure attributable to the COVID-19 pandemic, rapidly rising public expectations for ESG-oriented management and ever more stringent requirements regarding corporate governance reforms and ROE-focused management. We aim to help our clients address the business and management challenges confronting them and, to this end, engage in constructive dialogue and provide them with wide-ranging solutions that rally together MUFG’s overall functions.

Strengthening Our Capabilities to Help Resolve Challenges Confronting Large Corporations

Taking advantage of the RM/PO model established in the course of the previous MTBP, we will strive to strengthen our existing businesses by rallying the overall resources of the business group. At the same time, we will diversify our risk-taking methods while taking on the development and provision of new services designed to meet emerging needs associated with the digital shift across society. We will thus secure a more robust structure for assisting corporate clients in their efforts to transform their businesses and operational processes as well as the capability to contribute to their operating results regarding all aspects of their balance sheet.

In fiscal 2021, we also established the Sustainable Business Division, which is tasked with supporting corporate clients with the aim of realizing a carbon-neutral society and addressing issues society is now confronting. Looking ahead, we will step up new business initiatives aimed at helping corporate clients resolve the business and management challenges they are confronting.

Corporations' business and management challenges

- Ever faster changes in social structure

Approach of proposing solutions to customer's issues (example)

- Engagement activities
  - Upgraded and diversified methods for risk-taking

An Example of Sustainable Finance

Extended loans to the largest hydrogen station operator in the US. (Please also refer to a press release issued by the Bank on April 26, 2021)
Global Corporate & Investment Banking Business Group (GCIB)

For an overview of the business groups, please refer to pages 17–18.

**Vision for the Business Group**

- Develop a sustainable business model delivering satisfactory portfolio returns in a dynamic business environment
- Become a global financial partner representing Japan and Asia with world-class expertise and capabilities

**Strengths of the Business Group**

- Extensive sector expertise and strong capabilities delivering a rich variety of solutions
- Strong client relationships backed by a robust global network
- Strategic partnership with Morgan Stanley, a world-leading financial group

**Review of Progress under the Previous Medium-Term Business Plan (MTBP)**

**Accomplishments**

- Improved loan NIM through the reduction of lower return assets and portfolio recycle to higher return assets
- Improved non-JPY loan to deposit gap through disciplined asset control and deposit increase
- Developed a framework for promoting the O&D/OtoD*1 business on an integrated model across the Bank and the Securities

**Challenges**

- Expand fee income under disciplined asset control
  - Develop appropriate risk appetite for promoting O&D and cross-selling
  - Develop a product-neutral business operations on an integrated business management among GCIB and Global Markets
- Realize efficiency improvement and cost savings through streamlined and optimized resource allocation aligned with the target business portfolio

**KPIs under the New MTBP**

**ROE**

<table>
<thead>
<tr>
<th>ROE components</th>
<th>FY 2023 plan</th>
<th>Change from FY 2020</th>
<th>Initiatives to achieve the ROE target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net operating profits</td>
<td>¥180.0 billion</td>
<td>+¥40.0 billion</td>
<td>Optimize the business portfolio</td>
</tr>
<tr>
<td>Expense ratio</td>
<td>58%</td>
<td>-8%</td>
<td>Strengthen O&amp;D/OtoD and cross-selling</td>
</tr>
<tr>
<td>RWAs</td>
<td>¥2.1 trillion</td>
<td></td>
<td>Enhance product offering capabilities with developing appropriate risk appetite</td>
</tr>
</tbody>
</table>

**Key Strategies under the New MTBP**

**GCIB & Global Markets**

We continue to face a prolonged low interest rate environment and non-JPY liquidity constraints. To tackle this challenging business environment and realize profitability improvement, we will evolve the integrated operations of GCIB and Global Markets which have been developed under the previous MTBP. Through setting common goals/KPIs with Global Markets, such as a combined ROE target as well as non-interest Income Ratio, we will develop product neutral business operations which enable us to offer optimal solutions to the clients.

**Portfolio Optimization**

Expanding fee income through O&D/OtoD and cross-selling by leveraging balance sheet capacity is one of the core strategic pillars for maximizing portfolio returns. To this end, we will further enhance portfolio recycle and optimization by strengthening origination management through disciplined deal screening and raising return threshold continuously. Particularly, we will rebalance our business portfolio to institutional investors, who have diverse financial needs and are gaining a significant presence in the financial market by setting a KPI of Institutional Investor Portfolio Ratio.

The “Three Focuses” of the Institutional Investors Business

Approximately 120 of target clients, which are mainly asset managers and financial sponsors, have been identified for strengthening the institutional investor business. We will promote businesses with these target clients based on below “Three Focuses.”

- Improve loan NIM by offering secured finances which are secured or structured by investment portfolio managed by asset managers
- Capture flow products cross-sell as ancillary opportunities by leveraging lending relationships
- Enhance O&D/OtoD of NIG*1 business led by asset managers and financial sponsors

To realize them, we are developing appropriate risk appetite and strengthening our product offering capabilities through enhancing our deal screening framework jointly with the risk management divisions across the Bank and the Securities.

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

*1 O: Origination; D: Distribution

*1 ROE is calculated using RWAs (Managerial accounting basis. Net profit basis. Calculated excluding non-JPY medium-to-long term funding costs

**Expansion of Non-B/S** Income through Utilizing B/S Capacity

**GCIB & Global Markets**

Non-interest Income Ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>2020</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE</td>
<td>3.6%</td>
<td>3.5%</td>
</tr>
<tr>
<td>ROE (excl. Japanese Corporate sales)</td>
<td>3.1%</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

**Portfolio Ratio**

<table>
<thead>
<tr>
<th>Year</th>
<th>2020</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE</td>
<td>47.6%</td>
<td>51.5%</td>
</tr>
</tbody>
</table>

**Non-interest Income Ratio**

<table>
<thead>
<tr>
<th>Year</th>
<th>2020</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE</td>
<td>51.5%</td>
<td>51.5%</td>
</tr>
</tbody>
</table>

**Corporate Data**

<table>
<thead>
<tr>
<th>CAGR</th>
<th>2020</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE</td>
<td>+5.8%</td>
<td>+5.1%</td>
</tr>
</tbody>
</table>

**Profit recognition**

1. Improve loan NIM by secured finances
2. Capture flow products cross-sell
3. Enhance O&D/OtoD of NIG business

**Profitability**

- ROE approx. 10%
Global Commercial Banking Business Group (GCB)

For an overview of the business groups, please refer to pages 17-18.

Vision for the Business Group
- Empower a brighter future for customers in ASEAN via collaboration between MUFG and partner banks
- A wide range of services and functions offered to major global corporate clients, SMEs and individual customers thanks to the combined strength of MUFG and partner banks
- An unparalleled partner bank network in ASEAN (encompassing approximately 3,000 bases and 80,000 bank staff)
- The capability to promote financial inclusion via collaboration with Grab, along with access to the sophisticated digital finance expertise possessed by this partner

Strengths of the Business Group

Accomplishments
- Completed a commercial banking platform in ASEAN via the consolidation of Bank Danamon
- Helped Thailand-based Krungsri (Bank of Ayudhya) raise its domestic ranking from fifth at the time of MUFG’s investment to third in 2020
- Developed a new framework for business restructuring at MUFG Union Bank

Challenges
- Enable Bank Danamon to achieve autonomous growth by taking advantage of Krungsri’s experience (in consumer finance and other collaborative endeavors with MUFG)
- Achieve business expansion via the execution of strategic measures aimed at reaching out to the entire ASEAN region and, to this end, fully utilize our regional commercial banking platform
- Restore MUFG Union Bank’s performance via new strategies and cost structure reforms

Review of Progress under the Previous Medium-Term Business Plan (MTBP)

FY 2015 FY 2020

Net operating profits ¥500.0 billion ¥600.0 billion
Expense ratio 64% 65%
RWAs ¥19.5 trillion

Initiatives to achieve ROE target
- Strengthen businesses handled by Bank Danamon, such as consumer finance
- Execute cost structure reforms, step up corporate lending and otherwise get MUFG Union Bank on a recovery track
- Constantly monitor credit costs

Key Strategies under the New MTBP

Asia Business
The majority of our partner banks are based in the ASEAN region, which boasts robust growth potential and thus attracts investors from around the world. We will strive to deliver innovative services to this market by combining the global network of MUFG with the locally rooted service capabilities of partner banks possessing robust customer bases in each country.

Supporting the Growth of Partner Banks
Having developed a robust foundation supporting ongoing growth and business expansion, in fiscal 2020 Krungsri succeeded in raising its domestic ranking in Thailand to third (based on net profits). Just as we do for Krungsri, we intend to assist Bank Danamon in its pursuit of autonomous growth. Specifically, we will ensure that consumer finance expertise, which has driven Krungsri’s growth to this day, is shared with Bank Danamon as part of our efforts to help it strengthen its business capabilities in this field. In addition to stepping up collaboration between MUFG and these partner banks, we will push ahead with assisting them in digital transformation (DX), risk management and human resource development.

Strategically Reaching Out to the Entire ASEAN Region
Taking full advantage of our network of partner banks in the ASEAN region, we will promote regional strategies only MUFG is capable of executing. Specifically, we will collaborate with Grab and each partner bank to deliver new loan products to and secure contact points with a even broader range of customers while accumulating expertise in digital technologies to promote DX. We will also take on the development of a digital-driven remittance network connecting partner banks.

U.S. Business
Having appointed new leaders, MUFG Union Bank is poised to strive for the restoration of its performance, going back to the basics of a management approach focused on the customer perspective. Currently, this partner bank is strengthening transactions with SMEs and other customers by leveraging its significant public recognition in California and robust branch network. In addition, we will steadily execute cost structure reforms for our Americas operations as a whole by, for example, reviewing our network of local branches.

GDP* of ASEAN Countries in which Partner Banks Operate

<table>
<thead>
<tr>
<th>Year</th>
<th>Thailand</th>
<th>Malaysia</th>
<th>Vietnam</th>
<th>The Philippines</th>
<th>Indonesia</th>
<th>Singapore</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>3.0%</td>
<td>4.6%</td>
<td>6.2%</td>
<td>5.7%</td>
<td>4.2%</td>
<td>7.0%</td>
</tr>
<tr>
<td>2019</td>
<td>3.1%</td>
<td>4.8%</td>
<td>6.3%</td>
<td>5.8%</td>
<td>4.3%</td>
<td>7.1%</td>
</tr>
<tr>
<td>2020</td>
<td>3.2%</td>
<td>4.9%</td>
<td>6.5%</td>
<td>6.0%</td>
<td>4.4%</td>
<td>7.2%</td>
</tr>
<tr>
<td>2021</td>
<td>3.3%</td>
<td>5.1%</td>
<td>6.7%</td>
<td>6.2%</td>
<td>4.5%</td>
<td>7.3%</td>
</tr>
<tr>
<td>2022</td>
<td>3.4%</td>
<td>5.3%</td>
<td>6.9%</td>
<td>6.4%</td>
<td>4.6%</td>
<td>7.4%</td>
</tr>
<tr>
<td>2023</td>
<td>3.5%</td>
<td>5.5%</td>
<td>7.1%</td>
<td>6.6%</td>
<td>4.7%</td>
<td>7.5%</td>
</tr>
</tbody>
</table>

*1 Source: World Economic Outlook Database, issued by IMF in April 2021
Asset Management & Investor Services Business Group (AM/IS)

Vision for the Business Group

- To be the professional global AM/IS player to continuously meet customers’ needs through demonstrating high degree of expertise as a fiduciary toward sustainable society

Strengths of the Business Group

- Superior consulting capabilities backed by sophisticated specialist expertise and know-how
- Strong product development capabilities in the AM/IS fields
- Robust human resource capabilities supporting the fulfillment of fiduciary duties

Accomplishments

- AM business: Completed the acquisition of FSI*1 to expand our private placement REIT infrastructure debt instruments, etc.
- IS business: Accelerated the release of comprehensive services through the enhancement of high-value-added service lines while making progress in collaboration with GCB and Global Markets
- Pension business: Pushed ahead with the development of GCIB and Global Markets service lineups while making progress in collaboration with GCB and Global Markets
- Pension business: Raised our asset management proposal while curbing expenses via efficient operations
- IS business: Raised the balance of assets under administration by enhancing and strengthening high-value-added services including securities lending and our banking functions
- Pension business: Raised asset management proposal capabilities via, for example, the establishment of a specialized team while developing new services in the field of employee benefit programs

Challenges

- AM business: Enhance profit contribution through the strengthening of FSI’s asset management capabilities and the development of new products supporting sustainable growth, upgrade our lineup of alternative products and accelerate operations to deliver investment products in a timely manner
- IS business: Raise the balance of assets under administration by strengthening and enhancing our banking service functions while curbing expenses via efficient operations
- Pension business: Raise our asset management proposal capabilities via, for example, the establishment of a specialized team while developing new services in the field of employee benefit programs

KPIs under the New MTBP

<table>
<thead>
<tr>
<th>ROE Components</th>
<th>FY 2023 Plan</th>
<th>Change from FY 2020</th>
<th>Initiatives to achieve the ROE target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net operating profits</td>
<td>¥100.0 billion</td>
<td>¥50.0 billion</td>
<td>Increase further growth for the global AM/IS business</td>
</tr>
<tr>
<td>Expense ratio</td>
<td>69%</td>
<td>-3%</td>
<td>Enhance the lineup of alternative products while accelerating capabilities to deliver investment products in a timely manner</td>
</tr>
<tr>
<td>Economic capital</td>
<td>¥330.0 billion</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Key Strategies under the New MTBP

Global AM/IS

We will maintain and enhance our solid presence in the domestic market while pursuing business expansion in the global market to seize opportunities arising from its robust growth potential. Specifically, we will enhance the lineup of products and services backed by our specialist expertise to meet customer needs in the alternative investment market, which is expected to grow.

Global AM

Due to the acquisition of FSI, we have succeeded in securing new customers in Australia, Europe and the United States while making progress in the diversification of our products. To achieve sustainable growth, we will continue to enhance our product lineups and asset management capabilities. We consider the alternative investment field to be an area of particular interest due to its potential for market growth. Accordingly, we will pursue further development in the alternative asset management field to be a key area of focus.

Global IS

Under the MUFG Investor Services brand, we will accommodate diverse needs for alternative funds with high growth potential through business bases around the world. In particular, we aim to achieve synergetic growth in the balance of assets under management. In addition, we aim to meet ever more diverse customer needs on the back of growing public interest in environmental and social concerns and the global trend toward a low interest rate environment. To this end, we will take on the development of new products employing strengths afforded by FSI, such as its industry-leading expertise in ESG-oriented investment.

Responsible Investment Undertaken via Asset Management

MUFG gives due consideration to ESG issues in the course of handling every asset class, thereby promoting responsible investment aimed at helping investors resolve related issues. As of March 31, 2021, the ratio of responsible investment, which represents ESG-oriented investment assets, accounts for 100% of the consolidated balance of assets under MUFG’s management, which totals approximately ¥90 trillion.

Moreover, we will further enhance our presence in this field by, for example, disseminating information from the First Senator MUFG Sustainable Investment Institute co-founded by FSI, which has long been engaged in sustainable investment, mainly in Europe, in tandem with the Trust Bank, with the aim of becoming an industry-leading player. Also, today’s asset managers are expected to play their part in decarbonization initiatives. With this in mind, we will collaborate in and otherwise strive to spearhead such initiatives.
Global Markets Business Group

For an overview of the business groups, please refer to pages 17-18.

Vision for the Business Group

- Stably raising our earnings power while challenging ourselves to achieve transformation and contribute to sustainable growth for customers as well as MUFG under the banner of “Drive Growth and Transformation”

Strengths of the Business Group

- The ability to deliver sophisticated solutions that meet diverse customer needs as well as unparalleled capabilities for delivering JPY-denominated products
- Strong presence as a financial market leader
- Robust risk control capabilities enabling us to contribute to the stability of the financial and capital market

Review of Progress under the Previous Medium-Term Business Plan (MTBP)

Accomplishments

- Expanded the institutional investors business by stepping up collaboration with GCIB and AM/IS
- Enhanced electronic forex transactions
- Advanced a collaborative approach involving GCIB in businesses targeting corporations
- Strengthened group treasury operations (diversified non-JPY funding methods and established a group governance structure)

Challenges

- Boost the profitability of businesses targeting corporations while diversifying profit sources
- Facilitate intragroup collaboration in the institutional investors business along with the optimization of risk appetite
- Counter declining net interest income reflecting the prolongation of a low interest rate environment
- Launch full-scale efforts to monetize digital strategies

KPIs under the New MTBP

<table>
<thead>
<tr>
<th>ROE*1</th>
<th>FY 2023 plan</th>
<th>Change from FY 2020</th>
<th>Initiatives to achieve the ROE target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net operating profits</td>
<td>¥770.0 billion</td>
<td>¥550 billion</td>
<td>Promote business model transformation via integrated business operations involving GCIB</td>
</tr>
<tr>
<td>Expense ratio</td>
<td>39%</td>
<td>+2%</td>
<td>Revamp our operations in the domestic market</td>
</tr>
<tr>
<td>Economic capital</td>
<td>¥3.9 trillion</td>
<td></td>
<td>Upgrade treasury operations</td>
</tr>
</tbody>
</table>

Shigeru Yoshifuji
Group Head, Global Markets Business Group

Key Strategies under the New MTBP

GCIB & Global Markets

We promote integrated business operation involving collaboration between GCIB and Global Markets. For details on this strategy, please refer to page 60.

Revamping Our Operations in the Domestic Market

In sales & trading operations, we will focus on revamping our domestic operations to counter stagnant profit growth in Japan in comparison with robust growth in profits from overseas operations. We will also step up our efforts to reach out to customers engaging in regular transactions with us while enhancing the specialist capabilities of business units charged with products. By doing so, we will secure more robust transactional flows. Moreover, we will allocate greater resources to solution businesses employing a groupwide, integrated approach to diversify profit sources. In addition, we will develop a sales structure specializing in forex transactions accompanying asset administration. Furthermore, we will push ahead with digitizing our operations by, for example, expanding electronic transactions that use the EFX*1 platform as well as by developing an AI-enhanced trading model and deploying such model in practical use. Through these initiatives, we will deliver solutions that go beyond customer expectations, thereby securing MUFG’s unparalleled position in the domestic market.

Digitalization Ratio of FX Rate Contracts*2

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2023</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>57%</td>
<td>71%</td>
<td>72%</td>
<td>78%</td>
<td>85%</td>
<td></td>
</tr>
</tbody>
</table>

*1 Electronic Foreign Exchange

Revamping Our Operations in the Domestic Market

Upgrading Treasury Operation

With the aim of enhancing the profitability and stability of our balance sheet, we are striving to secure robust profit through flexible operations responsive to changes in the market environment. Simultaneously, we are engaged in funding aimed at supporting the MUFG Group’s business. Going forward, we will carry out market risk management in a way that takes advantage of specialist capabilities afforded by the Bank and the Trust Bank. For example, we will engage in allocation management that flexibly combines JPY and non-JPY bonds as well as equity securities and credit. We will also take an agile approach to hedging operations so that they conform with prevailing interest rate trends. Furthermore, we will remain active in ESG investment while striking a balance between risk and return. We will also pursue low-cost and stable funding from the market to further improve our balance sheet efficiency.

Develop New Investment Business

Forseeing the continuation of low interest rate environment and further expansion in excess of deposits over loans, securing new profit sources in the medium- to long-term is one of the pressing challenges.

The new investment business will commit to long-term diversified portfolio investment in various assets with distinctive unique risk-return characteristics, aiming to contribute to sustainable and stable financial gains over a medium to long time span. To this end, we will establish a new investment framework, consolidating the Bank’s expertise in asset management involving flexible investment in government bonds and equity securities, and the Trust Bank’s expertise in credit and alternative investment. We will also take on investment in sustainability and ESG fields as well, which aligns with an asset management approach with long-term perspective.

MUFG’s Pursuit of Value Creation

Management Strategies and Performance

Leadership and Governance

Financial Data / Corporate Data

MUFG Report 2021
Evolution into a Financial and Digital Platform Operator

**Taking on the Challenge of Creating Next-Generation Financial Services and Businesses**

Today, the contact points between businesses and their customers are more diverse than ever due to the increasing prevalence of online communications and other social trends, which contribute to the digital shift in addition to changes in consumer behavior reflecting the COVID-19 pandemic. As part of various online services, the Banking as a Service (BaaS) model, which embeds financial functions into digitized consumer activities, is gaining popularity, resulting in a growing call for financial services that are more convenient and attractive.

**New Digital-Based Financial Services Through Alliance**

- **Business Alliance with NTT DOCOMO**
  - In May 2021, the Bank signed a business alliance agreement with NTT DOCOMO, Inc. (DOCOMO) regarding the provision of digital-based financial services. Leveraging this alliance, we will create innovative financial services and enable the increasing diversification of customer needs reflecting recent changes in lifestyles, with the aim of delivering new customer value.
  - Specifically, we will employ a combination of DOCOMO’s extensive membership base and diverse digital-based sales channels and the Bank’s financial services. In this way, we will provide a new digital-based account service through which customers of the both companies are granted “d points” based on transactions. Moreover, our plans call for establishing a joint venture tasked mainly with planning and developing innovative, data-driven businesses and services. In addition, the Bank and DOCOMO will consider the co-development of unique residential mortgage loans, collaboration in asset management services and mortgage loans, and participating in the “point-based” economic zone. Of course, ensuring robust security and safety is a requisite due to the growing need to safeguard users from online fraud and other financial crimes in the digital era. With this in mind, our alliance with DOCOMO is intended to bring together the strengths offered by both companies in terms of customer convenience, benefits and robust security, with the aim of creating new value to be delivered to customers.
  - Also, the alliance has made DOCOMO’s diverse digital-based sales channels accessible to the Bank. Accordingly, we expect to be better positioned to reach out and deliver service value to new customers. Furthermore, DOCOMO’s card members will be enabled to use the Bank’s conventional modes of branch-centric communication.

- **Strategic Significance of the Alliance with DOCOMO**
  - When it comes to digital-based services, companies are being called upon to simultaneously achieve user convenience, consumer benefit and safety. Therefore, these services are expected to take a well-thought-out approach incorporating the user perspective while rewarding subscribers with various benefits via, for example, participation in the “point-based” economic zone. Of course, ensuring robust security and safety is a requisite due to the growing need to safeguard users from online fraud and other financial crimes in the digital era. With this in mind, our alliance with DOCOMO is intended to bring together the strengths offered by both companies in terms of customer convenience, benefits and robust security, with the aim of creating new value to be delivered to customers.

  - Also, the alliance has made DOCOMO’s diverse digital-based sales channels accessible to the Bank. Accordingly, we expect to be better positioned to reach out and deliver service value to new customers who had not previously been reached through the Bank’s conventional modes of branch-centric communication. Through this alliance, we will strengthen our ability to deliver seamless financial services by penetrating the realm of customers’ daily digital activities and performing upstream assessments of their financial needs.

**GO-NET (next-generation platform)**

- With progress of digital transformation (DX), the volume of data transactions is expected to grow throughout society and cause significant system load. This outlook has become the subject of growing social concerns among businesses as well as they confront the critical challenge of handling enormous volumes of data and cutting system costs. In response, we developed GO-NET, a platform for the secured, high-speed processing of large volumes of transactional data via the use of unique blockchain technology. In April 2021, we launched “GO-NET FM/Center Connection Service,” the first round in our GO-NET-based service, making it possible to relay payment data to credit card companies at significantly lower cost.

**Investment in Open Innovation**

- To date, MUFG has proactively engaged in investment and business alliances with startups while incorporating their technologies to upgrade its services and internal operations. Stepping up these initiatives, we founded MUFG Innovation Partners Co., Ltd., a wholly owned subsidiary of MUFG in January 2019 and subsequently launched a new corporate venture capital (CVC) fund totaling ¥100 billion. Over the course of two years, this subsidiary invested a total of ¥2.9 billion, steadily expanding its portfolio.

  - Moreover, collaboration with startups has yielded such positive outcomes as the release of a financing scheme employing a new credit model via the September 2020 establishment of a joint venture (JV) with Liquidity Capital, an Israeli-based startup. In addition, we released a personal financial management app developed using platforms offered by Moneytree. As such, we are taking on a number of initiatives utilizing startup technologies and solutions.

**Invested More than ¥120 Billion in a Cumulative Total of More than 40 Startups in Five Years**

- For more details, please also visit the following URL: [https://www.mufg.co.jp/en/investment/2020/pdfs/020101_en.pdf](https://www.mufg.co.jp/en/investment/2020/pdfs/020101_en.pdf)
MUFG's Pursuit of Development and Future-Oriented Culture

MUFG aims to empower every employee to autonomously and spontaneously think, act and take on challenging endeavors with a sense of ownership regarding the missions assigned to their respective teams. By doing so, we are striving to create an organization capable of navigating in a time of ever-faster change and increasing diversification in values.

To this end, we deem it essential to foster an open-minded and speed-oriented corporate culture. We consider such a culture a key component supporting a management approach focused on enabling employees to earn tangible successes in the course of their daily operations and take pride in their duties while pursuing personal happiness and their dreams for the future. Putting this approach into practice, we promote various engagement initiatives, such as online town hall meetings aimed at facilitating interaction between top management members and employees of Group entities.

We hold dialogue sessions to which external business leaders are invited to discuss such subjects as how to strike a balance between career development and family duties. We also host special town hall meetings for female employees.

In fiscal 2020, our town hall meetings were attended by a cumulative total of approximately 103,000 employees, with the ratio of respondents totaling 93%. We also implement improvement measures to address issues identified in the course of this survey and in feedback received from employees. The outcomes of these measures are confirmed via the annual Group Awareness and Engagement Survey and other feedback we update annually.

Town Hall Meetings with Top Management

For us to enhance employees’ sense of engagement, it is essential to win their empathy toward management. Accordingly, we proactively hold town hall meetings to directly communicate management visions to employees, a practice that also helps our corporate leaders acquire new insights from the open exchange of ideas with employees.

In fiscal 2020, our town hall meetings were attended by a cumulative total of approximately 60,000 employees at home and abroad. We also host special town hall meetings for female employees to address such subjects as how to strike a balance between career development and family duties.

Dialogues with External Business Leaders and Group CEO

We hold dialogue sessions to which external business leaders are invited to exchange opinions with the Group CEO in the presence of MUFG employees. These sessions provide employees with opportunities to learn about external corporations’ management philosophies, their recognition of issues lying ahead and their business initiatives. In this way, we help employees acquire new perspectives regarding the possibility of MUFG while motivating them to change their mindsets and their modes of behavior.

Each session is attended by approximately 500 employees, and question-and-answer sessions held following dialogues involve active exchanges between external business leaders and employees.

“Finance of Tomorrow” Initiative

Amid the COVID-19 pandemic, our society is undergoing ever-faster changes in work styles, lifestyles and educational methods. Given these changes, banks are being called upon to update their modes of financial services with regard to government subsidies and grants in addition to being expected to extend loans to an even broader range of borrowers, including SMEs and contract workers. With this in mind, we launched the “Finance of Tomorrow” initiative in which the Group CEO and young employees pay visits to and engage in dialogue with external individuals who are successful in various fields to encourage each employee to think about the future of finance from their own standpoints. These interactions are helping them reflect on for whom financial services exist, what is required of MUFG now and what they can do to support it. We compiled one-hour videos of dialogue sessions and made them accessible to employees from the Group’s intranet portal.

“Straight-Talking” Roundtable with Group CEO

We hold “Straight-Talking” roundtable events in which employees engage in discussion with the Group CEO. The messages proposed by these individuals with a sense of ownership about the future of MUFG must evolve into financial services and other themes the Group CEO is focused on.

To this end, we promote an in-depth look at what MUFG must deliver via financial services and other themes proposed by these individuals with a sense of ownership about the future of MUFG. In these ways, all attendees took an in-depth look into what MUFG must deliver, taking into consideration its understanding of the need to take autonomous and spontaneous action to change the organization.

We maintain a budget framework for financially supporting voluntary social contribution activities undertaken by employees, with the aim of encouraging employees to set their sights higher in this area as well. In fiscal 2020, we subsidized a total of 224 projects, including local social contribution projects selected from employee proposals. This, in turn, helps raise overall employee awareness toward the resolution of various issues confronting society.

MUFG SOUL—Bringing Our Aspirations to Bear to Empower Society

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Management Strategies and Performance

List of dialogue themes

1st round

- Discovering a new mode of finance in Africa
- Ethical financing sprouting buds in farmland

2nd round

- More freedom for people who have little access to loans
- An organization pleasing external voices, a company where women shine

3rd round

- Look to the frontline to find out why we promote DX
- What it takes to help the underbanked break free from homelessness

4th round

-_proposed by these individuals with a sense of ownership about the future of MUFG
- SMEs and freelance workers

5th round

- List of dialogue themes

6th round

-_proposed by these individuals with a sense of ownership about the future of MUFG
- SMEs and freelance workers

7th round

-_proposed by these individuals with a sense of ownership about the future of MUFG
- SMEs and freelance workers
Human Resources Strategy

Basic Policy
In line with the MUFG Way, we aim to provide our employees with opportunities for personal growth and offer an environment in which they can direct their energies into working with a sense of fulfillment. To this end, we promote inclusion & diversity. To embody the MUFG Way, we have also positioned “Integrity and Responsibility,” “Professionalism and Teamwork,” and “Challenge Ourselves to Grow” as values to be shared by all employees as defined by the MUFG Human Resources Principles, which serve as the basis for human resources management. Based on these principles, all Group companies engage in the planning and implementation of their respective human resources management policies. To see the full list of the MUFG Human Resources Principles, please see our corporate website: https://www.mufg/jp/english/csr/policy/

Review of the Previous Medium-Term Business Plan (MTBP) and Initiatives to Be Executed under the New MTBP

Over the course of the three years from fiscal 2018 to fiscal 2020, we have promoted the development of our human resources management platform and the framework supporting MUFG’s groupwide, integrated management. First, we consolidated the human resources divisions of the Bank, the Trust Bank and the Securities at a single location to step up internal collaboration within the Group. Then, from fiscal 2019 to fiscal 2020, we pushed ahead with revisions of human resources systems in place at these three key domestic Group entities. In line with the MUFG Human Resources Principles, these revisions were focused on nurturing professionals and realizing purely performance-based staff promotion and empowerment. The number of employees taking on new challenges has increased. By doing so, we will support MUFG’s endeavors under the banner of “new challenges and transformation.”

Under the new MTBP, we will fully launch the operation of our platform and the framework discussed above to push ahead with performance-based staff promotion and empower a growing number of employees to take on new challenges. By doing so, we will support MUFG’s endeavors under the banner of “new challenges and transformation.”

Improve Productivity and Nurture Professionals
During the period leading up to the end of fiscal 2023, we expect a reduction in the individual workload due to such factors as natural attrition in our employee headcount. Accordingly, we deem it important to redirect our human resources toward high-potential candidates on a groupwide basis, enabling them to pursue career ambitions in a way that transcends conventional human resources practices.

Nurture and Secure Human Resources Capable of Driving Transformation

Nurturing Digital Specialists
With the aim of nurturing human resources capable of spearheading digital transformation (DX), we offer digital specialist training programs. For example, the Bank introduced a digital skill certification system based mainly on external qualifications acquired by employees. Also, we provide those in managerial positions with training programs incorporating topics on corporate culture transformation and leadership enhancement in line with MUFG’s digital strategies. Moreover, we have implemented practical training programs for selected employees to nurture core human resources. With a cumulative total of approximately 100 individuals completing these programs, we have gone on to launch new programs designed to discover and nurture DX leader candidates. In addition, we mandate that all employees undergo e-learning focused on programming, AI and other relevant topics to help raise their digital literacy.

Programs Aimed at Nurturing Digital Specialists (the Bank)

<table>
<thead>
<tr>
<th>Scope of employment</th>
<th>Main programs and their themes</th>
</tr>
</thead>
<tbody>
<tr>
<td>All employees</td>
<td>Workplace for top management</td>
</tr>
<tr>
<td>Officers and general managers</td>
<td>Future of financial institutions and digital-driven management strategies</td>
</tr>
<tr>
<td>Mid-level employees</td>
<td>Incorporation of digital strategies into businesses and the transformation of corporate culture</td>
</tr>
<tr>
<td>New recruits and young employees</td>
<td>Programs for nurturing DX leader candidates</td>
</tr>
<tr>
<td>All employees</td>
<td>Discover and nurture future leaders who spearhead DX</td>
</tr>
<tr>
<td>E-learning</td>
<td>Nurture next-generation core human resources who will lead DX</td>
</tr>
</tbody>
</table>

Securing Future Top Management Candidates
In fiscal 2016, we opened MUFG University to offer training programs specially designed to nurture future top management candidates on a groupwide basis. To date, more than 600 employees have completed these programs. Targeting a range of employees from line managers to newly appointed executive officers, MUFG University not only helps these individuals enhance their management skills but also provides curriculums incorporating liberal arts education and other programs aimed at instilling even broader perspectives and open-minded ways of thinking.

We also believe that the university will provide yet another career path for those who aim to fully take advantage of their specialist strengths on a groupwide basis, enabling them to pursue career ambitions in a way that transcends conventional human resources practices.

Nurturing Global Human Resources
Today, the MUFG Group has expanded into more than 50 countries around the globe, and approximately 52% of its entire workforce is accounted for by overseas employees (as of March 31, 2021). We view this as an opportunity to secure and nurture professionals in a variety of fields at home and abroad, and we are employing a globally unified human resources platform supporting robust processes for talent management, employee evaluation, wage determination and other human resources practices that are consistent with market standards. Also, we began implementing job-level based training programs on a global basis to ensure all Group members understand the MUFG Way and embrace a shared culture. For example, we provide the Global LEAD Program targeting those in management or similar positions at the Bank, Mitsubishi UFJ Morgan Stanley Securities, Krungsri, MUFG Union Bank and other Group companies to help such individuals acquire essential leadership knowledge as well as necessary perspectives and in-depth expertise on global operations.

Today, a growing number of individuals hired overseas have been promoted to managerial posts. For example, several individuals, including three women, have assumed executive officer positions at the Bank (as of March 31, 2021).

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Human Resources Strategy

Inclusion & Diversity

We consider diversity an essential value enabling us to maintain organizational resilience in a time of rapid change. Accordingly, MUFG has positioned “Inclusion & Diversity” as one of the 10 priority issues to be tackled via sustainability management. Thus, we are striving to develop and foster an organization and culture in which employees with diverse values, backgrounds and perceptions of work can respect and inspire each other while freely pursuing personal growth and career success. In line with the new MTBP, top management is committed to achieving a target of raising the ratio of women in management*1 in Japan to 18% by March 31, 2024. Having upgraded our conventional target, this new target places greater emphasis on increasing the ratio of women in senior managerial positions. Through the pursuit of this target, we will ensure that diverse perspectives and a sense of values are reflected in decisions made by employees hierarchically closer to top management. As of April 2021, a total of 20 women, including four foreign nationals, are serving as directors or executive officers at MUFG, the Bank, the Trust Bank, Mitsubishi UFJ Morgan Stanley Securities or NIKCO. For women in senior management positions, we provide special training programs for selected employees while maintaining a mentoring program. In this way, we raise women’s awareness of the possibility of becoming officers and encourage the acquisition of sophisticated management skills. Thanks to these efforts, MUFG was chosen to bear the Nakashima brand in 2021. Moreover, in 2020 MUFG was granted the highest “Gold” rating in the PRIDE Index, which evaluates companies’ LGBTQ inclusivity efforts, in recognition of its initiatives, including the introduction of a same-sex partnership recognition program. In addition to promoting gender diversity, we are pushing ahead with the employment of people with disabilities while promoting foreign nationals and employees hired from external sources to managerial positions. Furthermore, we support employees struggling to strike a balance between work and child-rearing, nursing care or infertility treatment. Through these and other initiatives, we strive to empower diverse human resources to thrive. We also implement periodical e-learning programs for all employees to call their attention to and address issues arising from unconscious biases, which can inhibit the promotion of inclusion & diversity.

Promoting Work Style Reforms

MUFG has promoted positioning work style reforms as one of the 10 priority issues to be addressed via sustainability management. As we aim to enable employees to realize their full potential, we have promoted the revision of administrative procedures and the streamlining of meeting practices while proposing paperless and developing infrastructure for remote working. By doing so, we help employees allocate more time to engaging in direct communications with customers and taking on new challenges. Currently, a growing number of employees are opting for remote working due to the spread of the COVID-19 virus. Against this background, the number of satellite offices, which utilize vacant space in domestic branches and other facilities, that we maintain grew from seven in 2019 to 33. Looking ahead, we will support employees’ free choices of flexible work styles. Based on the assumption that remote working will gain a certain degree of popularity, we are planning to rebuild the main building of the Bank and consolidate the headquarters functions of the holding company, the Bank, the Trust Bank and the Securities at this facility. This move to construct a new MUFG headquarters building is expected to enhance our groupwide, integrated management approach and serve as a place for innovation by gathering together and enabling interaction among diverse individuals.

Career Challenge System

MUFG aims to offer strong support for autonomous employee efforts to explore and develop their career paths. Accordingly, we strive to empower employees to pursue personal growth and take on challenges. With this in mind, we have developed a framework that enables employees to gain experience in a variety of business fields within and outside the Group. This framework is called the Career Challenge System and includes a range of programs.

For example, the Job Challenge program helps applicants take on new missions within the Group, while the New Business Proposal program allows employees to launch new services and products they propose. Also, we proactively assist employees in their pursuit of external business experience they cannot gain within the Group. Specifically, the Open EX program provides applicants with opportunities to work at startups and other external corporations. Moreover, the Challenge Leave program grants leave for a certain period of time to those wishing to study abroad, acquire certification or pursue other dreams.

<table>
<thead>
<tr>
<th>Inclusion &amp; Diversity</th>
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<tbody>
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<table>
<thead>
<tr>
<th>Promoting Work Style Reforms</th>
</tr>
</thead>
<tbody>
<tr>
<td>MUFG has promoted positioning work style reforms as one of the 10 priority issues to be addressed via sustainability management. As we aim to enable employees to realize their full potential, we have promoted the revision of administrative procedures and the streamlining of meeting practices while proposing paperless and developing infrastructure for remote working. By doing so, we help employees allocate more time to engaging in direct communications with customers and taking on new challenges. Currently, a growing number of employees are opting for remote working due to the spread of the COVID-19 virus. Against this background, the number of satellite offices, which utilize vacant space in domestic branches and other facilities, that we maintain grew from seven in 2019 to 33. Looking ahead, we will support employees’ free choices of flexible work styles. Based on the assumption that remote working will gain a certain degree of popularity, we are planning to rebuild the main building of the Bank and consolidate the headquarters functions of the holding company, the Bank, the Trust Bank and the Securities at this facility. This move to construct a new MUFG headquarters building is expected to enhance our groupwide, integrated management approach and serve as a place for innovation by gathering together and enabling interaction among diverse individuals.</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Career Challenge System</th>
</tr>
</thead>
<tbody>
<tr>
<td>MUFG aims to offer strong support for autonomous employee efforts to explore and develop their career paths. Accordingly, we strive to empower employees to pursue personal growth and take on challenges. With this in mind, we have developed a framework that enables employees to gain experience in a variety of business fields within and outside the Group. This framework is called the Career Challenge System and includes a range of programs. For example, the Job Challenge program helps applicants take on new missions within the Group, while the New Business Proposal program allows employees to launch new services and products they propose. Also, we proactively assist employees in their pursuit of external business experience they cannot gain within the Group. Specifically, the Open EX program provides applicants with opportunities to work at startups and other external corporations. Moreover, the Challenge Leave program grants leave for a certain period of time to those wishing to study abroad, acquire certification or pursue other dreams.</td>
</tr>
</tbody>
</table>
**Sustainability Initiatives**

**Promoting Sustainability Management**

With the conviction that environmental and social sustainability are essential to achieving sustainable growth for MUFG, we are engaged in value creation employing an integrated approach in which the execution of management strategies goes in tandem with the pursuit of solutions for environmental and social issues. This is MUFG’s definition of sustainability management.

We have reviewed priority issues that must be tackled to help achieve environmental and social sustainability in light of our newly established Purpose, “Committed to empowering a brighter future,” with an eye to bolstering society’s expectations in areas where MUFG’s capabilities can be brought to bear. As a result of this review, we have freshly defined 10 priority issues, including “Climate change measures & environmental protection,” “Response to aging population & low birthrate” and “Inclusion & diversity,” for which we currently strive to deliver solutions on various fronts.

In addition, we announced the MUFG Carbon Neutrality Declaration in May 2021. This move is backed by our determination to become a leading financial institution in countering climate change, which represents one of world’s most serious problems.

Also, with the aim of promoting sustainability finance, we upwardly revised our sustainable finance goals for the period leading up to fiscal 2030 from a cumulative total of ¥20 trillion with ¥8 trillion earmarked for environment to ¥35 trillion with ¥18 trillion being set aside for environment. Under the initiative of the Sustainable Business Division, a body tasked with taking a cross-sectional approach to promoting sustainable businesses, we will continue to act as an arm of financing for renewable energy projects, an area in which we have been particularly active, while underwriting Green Bonds. Moreover, we will strengthen our structure and initiatives associated with innovative hydrogen and next-generation energy projects to secure our presence in those fields.

In terms of risk management, we updated the MUFG Environmental and Social Policy Framework, which aims to provide a framework for ensuring that due consideration is given to environmental and social concerns in the course of financing, including the extension of credit and underwriting of equities and bonds.

With regard to corporate governance, we have made it a rule that the Board of Directors approve all changes in the MUFG Environmental Policy Statement and the MUFG Human Rights Policy Statement. Furthermore, we have incorporated ESG elements into the criteria for determining executive compensation.

We are also striving to reach out to areas that seem beyond the scope of financial services through, for example, the provision of a donation program, with the aim of proactively contributing to the resolution of environmental and social issues.

**Promotion Structure for Sustainability Management**

The Sustainability Committee is in place to deliberate on MUFG’s initiatives to address environmental and social issues. Conclusions reached by this Committee are reported to and discussed by the Executive Committee and the Board of Directors. Moreover, the Board of Directors has made sustainability management a priority agenda item and maintains an annual PDCA cycle to monitor and improve MUFG’s relevant initiatives.

In addition, the Sustainability Committee is chaired by the Group Chief Sustainability Officer (CSuO), who is a member of the Board of Directors. With the aim of integrating MUFG’s sustainability initiatives with its main business and management strategies, the Group CSuO concurrently serves as the Group Chief Strategy Officer (CSO), who is in charge of supervising corporate and strategic planning.

Along with addressing environmental concerns, we believe that MUFG must fulfill its role in an ever-broader range of fields to help address social issues. For example, we must tackle issues arising from “aging population & low birthrate” while promoting “Inclusion & diversity” to empower diverse human resources to realize their full potential. In order to tackle these priority issues via the use of our financial functions and thereby help create a sustainable society, we will continue striving to draw on the wisdom of MUFG’s entire workforce while setting aside a part of our budget to run donation programs aimed at making social contributions in areas that cannot be reached by our financial services. In those ways, we will take a more in-depth approach to sustainability and broaden the scope of our initiatives to address issues society is now confronting.

Lastly, we will remain open to stakeholder opinions while acting in collaboration with other financial institutions via, for example, participation in global initiatives. By doing so, we will enhance our capabilities to help resolve environmental and social concerns. Looking ahead, we will promote sustainability management that lives up to stakeholder confidence and expectations and maintain the appropriate and proactive disclosure of information regarding our initiatives.
**Sustainability Initiatives**

**Climate Change Measures & Environmental Protection**

<table>
<thead>
<tr>
<th>MUFG Carbon Neutrality Declaration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net zero greenhouse gas (GHG) emissions from our financed portfolio by 2050</td>
</tr>
<tr>
<td>Net zero GHG emissions in our own operations by 2030</td>
</tr>
</tbody>
</table>

In May 2021, we announced the MUFG Carbon Neutrality Declaration and became the first bank in Japan to publicize its commitment to achieving a net zero status in terms of GHG emissions from its investment and financing portfolio. Guided by our Purpose, “Committed to empowering a brighter future,” we have also formulated detailed action plans and, in line with the MUFG Environmental Policy Statement, are determined to support a smooth transition to a decarbonized society through our business operations and help realize the goals of the Paris Agreement. In these ways, we will remain an active contributor to a virtuous cycle of environmental and economic improvement, which should ultimately result in a sustainable society.

MUFG will strive to achieve net zero in terms of GHG emissions from its investment and financing portfolio by the end of 2050 and in its own operations by the end of 2030. Moreover, we will continue the timely and appropriate disclosure of information regarding progress in our initiatives to achieve these targets.

**Positioning of the MUFG Carbon Neutrality Declaration**

**Main Approaches to Achieve Carbon Neutrality**

- **Commit to achieve decarbonization through financial services**
  - Set target for sustainable finance: ¥35 trillion (of this, ¥18 trillion for environment)………………… Page 82
  - Regularly review the MUFG Environmental and Social Policy Framework ................................. Page 81
  - Disclose future credit portfolio reduction targets for corporate finance related to coal-fired power generation ....................................................... Page 82
  - Support renewable energy and hydrogen and next-generation energy projects .......................... Page 80

- **Promote decarbonization via MUFG’s own efforts**
  - Raise the ratio of renewable energy to purchased energy used to 100% at the domestic offices and branches of the Bank, the Trust Bank and the Securities ............................. Page 82
  - Support climate change countermeasure-related technological innovation while promoting the use of carbon offsets via such activities as afforestation

- **Set targets to align with the goals of the Paris Agreement and expand and improve transparency of information disclosure**
  - Set targets consistent with the Paris Agreement based on scientific approaches such as SBT* ……… Page 82
  - Enhance the content of information disclosure based on recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) (e.g., expand the scope of the sector subject to scenario analysis) ........................................... Page 81

- **Enhance our organization to achieve carbon neutrality**
  - The Board of Directors was made responsible for any changes in the MUFG Environmental Policy Statement ................................................................. Page 79
  - Reflect ESG elements in MUFG’s executive compensation .......................................................... Pages 79 and 95

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**Striving for Carbon Neutrality**

**Becoming the First Bank in Japan to Be a Part of the NZBA**

MUFG became the first bank in Japan to participate in the NZBA, which was established in April 2021 by the United Nations Environment Programme Finance Initiative (UNEP-FI) and is committed to reducing GHG emissions related to the investment and financing portfolios held by its member banks to net zero by the end of 2050. With MUFG’s Group CEO having signed a letter of commitment, we are poised to accelerate our decarbonization initiatives as an alliance member through, for example, participation in a working group, with the aim of living up to our commitment to carbon neutrality.

**Industry-Academia Collaboration with The University of Tokyo**

With the aim of ensuring a brighter future for the next generation, MUFG decided to launch joint research with The University of Tokyo to study a possible pathway toward Japan’s decarbonization and the role that finance must play. We emphasize and agree with the objectives of research activities being undertaken by the university’s Center for Global Commons (CGC), an organization aimed at establishing a management framework for maintaining the stability of the Earth’s ecosystem, which is the universal bedrock supporting the prosperity of humanity. Accordingly, our plans call for supporting the CGC’s activities over the next three years.
Sustainability Initiatives
Climate Change Measures & Environmental Protection (Disclosure Based on TCFD Recommendations)

Governance
The Board of Directors’ Supervision of MUFG’s Climate Change Measures
At MUFG, the Sustainability Committee, which operates under the Executive Committee, is charged with periodically deliberating policies on and determining the status of the Group’s response to opportunities and risks arising from climate change and other environmental and social concerns.

MUFG has positioned climate-change-related risk as one of the Top Risks that it must pay close attention to. Accordingly, these risks are discussed by the Credit & Investment Management Committee, the Credit Committee and the Risk Management Committee, all of which are under the direct supervision of the Executive Committee.

Conclusions reached by the above committees are reported to the Executive Committee—which is tasked with deliberating and making decisions on important matters regarding business execution—and, ultimately, reported to and discussed by the Board of Directors.

In addition, matters discussed by the Credit & Investment Management Committee and the Risk Management Committee are also examined by the Risk Committee, which mainly consists of outside directors, and then reported to the Board of Directors.

In these ways, the Board of Directors exercises supervision over MUFG’s climate change-related initiatives. Specifically, the Board of Directors handles issues requiring a group-wide perspective and, to that end, develops important themes deserving intensive discussion, thereby managing these issues based on a PDCA cycle in accordance with an annual schedule. Also, sustainability management is considered an important theme. The Board of Directors actively addresses matters related to this theme through dedicated sessions in addition to deliberations at regular Board meetings.

External Advisors Supporting MUFG’s Initiatives to Address Environmental and Social Issues
MUFG maintains two advisor positions to which appoints external specialists representing the environmental and social fields to engage in the exchange of opinions with members of the Board (for more details, please refer to page 90). By doing so, we incorporate insights from outside experts into our climate change-related initiatives.

Revision of the MUFG Environmental Policy Statement
In line with the MUFG Way, which provides guidelines for all activities, we uphold the MUFG Environmental Policy Statement, which serves as a set of specific action principles for ensuring that due consideration is given to environmental concerns.

In May 2021, we made it a rule that any changes in the MUFG Environmental Policy Statement require a resolution by the Board of Directors. Simultaneously, we revised this statement, incorporating new clauses that clarify our commitment to proactively disclosing information regarding our environmental initiatives, including climate change measures.

Executive Compensation Reflecting External ESG Evaluation
To advance our sustainability management, in fiscal 2021, we revised performance-linked indices used for the determination of executive compensation. The revised indices incorporate the degree of improvement in external ESG evaluation granted to MUFG by ESG rating agencies (for more details, please refer to page 95).

Strategy
Strengthening Sustainable Businesses Capabilities
Toward the realization of carbon neutrality, MUFG aims to support customer efforts to transform business models as well as the climate transition for entire industries. To this end, we provide customer efforts to transform business models as well as the climate transition of whole industries. To this end, we provide

<table>
<thead>
<tr>
<th>Main Activities Discussed by and Reported to the Board of Directors (Fiscal 2020)</th>
</tr>
</thead>
<tbody>
<tr>
<td>- MUFG’s approach to sustainability management.</td>
</tr>
<tr>
<td>- Promotion of sustainable businesses via financing for renewable energy projects, the underwriting of green, social and sustainability bonds and the pursuit of responsible investment.</td>
</tr>
<tr>
<td>- Carbon neutrality initiatives.</td>
</tr>
<tr>
<td>- MUFG’s approach to transition finance and its in-house promotion structure.</td>
</tr>
<tr>
<td>- Revision of the MUFG Environmental and Social Policy Framework.</td>
</tr>
<tr>
<td>- Prioritization of various risks arising from climate change and future initiatives.</td>
</tr>
</tbody>
</table>

Pushing Ahead with Climate Transition and Innovation Support
With the aim of facilitating the realization of a sustainable society via a virtuous cycle of environmental and economic improvement, we intend to extend strong support to the pursuit of technological innovation in such fields as renewable energy, hydrogen and next-generation energy and energy saving.

In terms of supporting climate transition, we have been proactively engaged in dialogue mainly with customers in the energy and utility sectors. Looking ahead, we will also reach out to those in the transportation, steelmaking, non-ferrous metals, chemicals and other sectors, with staff at the Sustainable Business Division and other departments at headquarters and abroad playing a key role in upgrading MUFG’s relevant initiatives.

With regard to innovation support, we will consider and implement a new financial service scheme in tandem with customers, with the aim of supporting new business endeavors, including R&D and other testing, to contribute to the realization of carbon neutrality.

Main Initiatives
- Acted as a finance manager for some of the world’s largest renewable energy projects, including the Dogger Bank Wind Farm, an offshore wind power generation facility capable of supplying energy equivalent to approximately 15% of the United Kingdom’s overall energy demand.
- Extended a Sustainability Linked Loan to Thai Union, a major seafood processing firm in Thailand in tandem with Krungsri (Bank of Ayudhya).
- Established a renewable energy fund worth a total of around ¥500 billion to revitalize the renewable energy market, creating Japan’s first financial framework that comprehensively supports green energy in all aspects of businesses ranging from generation to purchase.
- Extended a loan to FirstElement Fuel, Inc., California’s largest hydrogen station operator, to help it construct a new hydrogen station.
- MUFG is reviewing existing risk categories to understand the impact of climate change, developing scenarios for physical risk and enhancing the approach for disclosures in accordance with the TCFD recommendations to identify, assess and manage climate change-related risks.

Response to Climate Change-Related Risks—Transition and Physical Risks
MUFG is reviewing existing risk categories to understand the impact of climate change, developing scenarios for physical risk and enhancing the approach for disclosures in accordance with the TCFD recommendations to identify, assess and manage climate change-related risks.

Risk categories
<table>
<thead>
<tr>
<th>Examples of transition risk</th>
<th>Examples of physical risk</th>
<th>Time frame</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit risk</td>
<td>- Our corporate clients’ business activities and financial positions may be negatively affected if they fail to live up to government policies, regulatory requirements, customer requests or evolving trends in technological development.</td>
<td>Extreme weather may cause direct damage to assets held by our corporate clients and/or have a negative spillover effect on their business activities and financial positions by indirectly impacting their supply chain.</td>
</tr>
<tr>
<td>Market risk</td>
<td>- The transition to a decarbonized society may negatively impact certain business sectors, making the value of relevant securities held by MUFG and/or its financial instruments derive from them highly volatile.</td>
<td>The impact of extreme weather may include market turmoil and make the values of securities held by MUFG highly volatile.</td>
</tr>
<tr>
<td>Liquidity risk</td>
<td>- If its credit ratings deteriorate due to such factors as delays in its response to transition risks, MUFG may face limitations on methods for funding from the market and thus growth in risks associated with fundraising.</td>
<td>The value of securities held by MUFG may become volatile due to changes in market participants’ medium- to long-term outlook on the impact of extreme weather and their expectations regarding counterparties against the phenomenon.</td>
</tr>
<tr>
<td>Operational risk</td>
<td>- Spending on capital investment may grow due to the need for measures aimed at reducing CO2 emissions and enhancing business continuity capabilities.</td>
<td>Extreme weather may cause damage to MUFG’s headquarters, branches and/or data centers and lead to the disruption of their operations.</td>
</tr>
<tr>
<td>Reputation risk</td>
<td>- If MUFG’s plans and efforts to realize carbon neutrality are deemed inappropriate or insufficient by external stakeholders, it may suffer from reputational damage.</td>
<td>If MUFG’s efforts to support communities affected by extreme weather are deemed insufficient, it may suffer from reputational damage or a resulting disruption of operations.</td>
</tr>
<tr>
<td>Strategic risk</td>
<td>- If MUFG fails to live up to its public commitment to supporting the transition to a decarbonized society, its capabilities for strategic execution may be negatively affected by a deterioration in its reputation.</td>
<td>MUFG may fail to meet the goals of its strategies and plans if it fails to properly factor in the direct impact of extreme weather in the course of long-term management planning.</td>
</tr>
</tbody>
</table>

*1 Short-term: less than one year, medium-term: one to five years, long-term: more than five years.
Sustainability Initiatives
Climate Change Measures & Environmental Protection (Disclosure Based on TCFD Recommendations)

Strengthening Scenario Analysis
Since 2019, MUFG has analyzed multiple scenarios in order to assess how its credit portfolio could be affected by climate change-related risks. These scenarios include the “7°C scenario” published by the International Energy Agency (IEA).

With regard to the assessment of transition risks, we have analyzed the energy and utility sectors, which are both defined as carbon-related assets under the TCFD recommendations. As a result, the most profound impact of such risks during the period from 2020 to 2050 has been estimated at ¥10.0 billion to ¥90.0 billion per year. Moreover, we assessed physical risks by analyzing flooding risk, which has become one of the most profound physical risks arising from climate change due to its growing frequency and increasing magnitude of damage. This analysis confirmed that the impact of flooding risk will amount to a cumulative total of approximately ¥880 billion over the period leading up to the end of 2050.

Currently, we have included the automobile sector into the scope of transition risk assessments, adding it to the energy and utility sectors, which have already been subjects of analysis. Furthermore, in response to the June 2021 issuance of scenarios formulated by the Network for Greening the Financial System (NGFS), we launched an analysis of these scenarios along with an ongoing risk analysis employing IEA-recommended scenarios. Our plans call for disclosing results of these analyses in the MUFG Sustainability Report 2021 which is set to be released in autumn 2021.

Risk Management
Inclusion of Climate Change-Related Risks in the Risk Appetite Statement
In fiscal 2021, we included climate change-related risks in our Risk Appetite Statement. This move is intended to help develop, maintain and upgrade our structure for appropriately managing climate change-related risks.

Positioning of Climate Change-Related Risks in Enterprise Risk Management
MUFG has positioned climate change-related risk as one of the Top Risks that it must pay close attention to for the year ahead and going forward (for more details, please refer to page 10).

Management of Environmental and Social Risks in the Course of Financing
In line with the MUFG Environmental Policy Statement and the MUFG Human Rights Policy Statement, we have established the MUFG Environmental and Social Policy Framework, with the aim of properly assessing and managing environmental and social risks that may arise in the course of financing.

In addition, the Bank is engaged in due diligence based on the Equator Principles*1 in its efforts to contribute to environmental and social sustainability.

Results vis-à-vis Metrics and Targets
MUFG monitors the status of climate change-related metrics and targets it has defined to address both opportunities and risks.

Metrics and Targets
Volume of GHG Emissions from Investment and Financing Portfolio (Scope 3, Scenario)
By the end of 2030, we aim to achieve a net zero status in terms of GHG emissions from our own operations. To begin with, we will raise the ratio of renewable energy to purchased energy used by domestic offices and branches of the Bank, the Trust Bank and the Securities to 100% by the end of fiscal 2021.

To this end, we will begin by identifying priority sectors that will be subject to measurements and target setting and then push ahead with the assessment of the volume of GHG emissions from investees and borrowers. Based on SBTi*1 and other scientific approaches, we will thus formulate the interim target consistent with goals of the Paris Agreement.

For details on information disclosed based on the TCFD recommendations, please refer to the MUFG Sustainability Report 2021 (scheduled for release in autumn 2021).

Establishment and Revision of Environment-Related Policies Stipulated by the MUFG Environmental and Social Policy Framework

<table>
<thead>
<tr>
<th>Sectors</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal-fired power generation</td>
<td>Established</td>
<td>Revised</td>
<td>Revised</td>
<td>Revised</td>
</tr>
<tr>
<td>Forestry</td>
<td>Established</td>
<td>Established</td>
<td>Revised</td>
<td>Revised</td>
</tr>
<tr>
<td>Palm oil</td>
<td>Established</td>
<td>Established</td>
<td>Established</td>
<td>Established</td>
</tr>
<tr>
<td>Mining (coal)</td>
<td>Established</td>
<td>Established</td>
<td>Established</td>
<td>Established</td>
</tr>
<tr>
<td>Oil and gas (oil sand development of the Arctic)</td>
<td>Established</td>
<td>Established</td>
<td>Established</td>
<td>Established</td>
</tr>
<tr>
<td>Large-scale hydroelectric power generation</td>
<td>Established</td>
<td>Established</td>
<td>Established</td>
<td>Established</td>
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</tbody>
</table>

Details of revisions
- Introduced a prohibition against financing for coal-fired power generation projects, including for the expansion of existing facilities, while clarifying a policy of applying stricter criteria to individual projects.
- Incorporated clauses for the confirmation of our client’s non-engagement in illegal logging or deforestation in areas of high conservation value.
- Incorporated clauses mandating our clients to declare their adherence to No Deforestation, No Peat, No Exploitation (NPDE) principles or submit action plans toward such declaration.

*1 A framework for specifying, assessing and managing environmental and social risks associated with the impact of major projects.

*4 Including thermal power generation using fossil fuel (coal, oil and gas) and renewable energy generation businesses (wind, solar, etc.).

*5 Total of loans, trade finance, letter of credit & guarantees and undrawn commitment facility, etc.

*6 As of the end of fiscal 2019: US$3,580 million

Volume of CO2 Emissions from the 5 Primary Domestic Group Companies (the holding company, the Bank, the Trust Bank, the Securities and NICOS)

Volume of CO2 Emissions from MUFG’s Operations (Scope 1 & 2)
From fiscal 2019 to fiscal 2020 (of this, ¥3.5 trillion for environment)

Newly disclosed metrics
Carbon-related assets*/1 (credit amounts)*/2
New targets (established in May 2021)
Set CO2 reduction target via renewable energy project financing*/3

Results vis-à-vis Metrics and Targets
MUFG monitors the status of climate change-related metrics and targets it has defined to address both opportunities and risks.

<table>
<thead>
<tr>
<th>Metrics</th>
<th>Targets/halt values</th>
<th>Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO2 reductions</td>
<td>Emission reductions</td>
<td>results</td>
</tr>
<tr>
<td></td>
<td>Scope 1</td>
<td>Scope 2</td>
</tr>
<tr>
<td></td>
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</table>
MUFG aims to help resolve environmental and social concerns and thereby contribute to the creation of a sustainable society and, to this end, takes full advantage of its functions as a financial institution while engaging in social contribution activities. Here, we showcase some examples of our current initiatives as well as products and services designed for this purpose.

**Response to Aging Population & Low Birthrate**

In anticipation of the coming age of centenarians, MUFG offers its superior consulting functions to meet diverse needs for asset building, business succession and other preparatory solutions. We also engage in a variety of social contribution activities, such as providing financial and economic education aimed at helping raise financial literacy, to support the sound upbringing of children who will lead future generations.

**Supporting Asset Building and Management**

Customers’ needs for asset building solutions differ largely in accordance with their life stage. For example, those in their 20s to 40s generally pursue stable asset building, while those in their 50s to 60s begin preparing for post-retirement life. In addition, those in their 70s or older wish to experience an affluent post-retirement life. We assist customers in their pursuit of asset building in a way that optimally meets their evolving needs.

Moreover, we provide various educational programs and seminars tailored to meet the interests of different age groups, helping them better understand what it takes to begin investment and asset building for the future, with the cumulative total number of these events, held since 2012, well in excess of 3,000.

**Supporting Smooth Asset and Business Succession**

Today, a number of domestic SME owners are facing a pressing need to prepare for asset and business succession in the near future. In response, MUFG takes a groupwide, integrated approach to deliver solution proposals associated with M&A, inheritance, real estate and asset management via the use of the comprehensive functions afforded by the Group as well as an extensive network available through external partners. As we did in the previous fiscal year, we assisted in the succession of assets and businesses worth more than ¥1 trillion in fiscal 2020.

**Inclusion & Diversity**

We consider diversity an essential value enabling us to maintain organizational resilience in a time of rapid changes. Accordingly, MUFG is striving to create an environment in which diverse employees can direct their energies into working with a sense of fulfillment while using its financial functions to facilitate gender diversity across society and help resolve issues minorities are confronting.

For details on MUFG’s initiatives to promote inclusion & diversity within its workforce, please refer to page 73.

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**Addressing Issues Arising from an Ultra-Aging Society**

We have released the “Family Note -app- by MUFG” service, which enables customers to plan for future inheritance needs on a digital basis. In addition to helping with the preparation of a living will, the service assists customers in their efforts to maintain healthy lifestyle habits while making it possible for family members to observe their health status. As such, “Family Note -app- by MUFG” can also be used as a tool for facilitating family communications.

Aiming to support customers who suffer from deteriorating cognitive and judgment capacities, we also offer a free appointment-based proxy services that enables such customers to smoothly undertake financial transactions, such as making deposits and selling investment products via the use of a groupwide, integrated financial transactions, serving as a tool for maintaining sound family communications.

We are contributing to the safe and secure social transition to digital technologies.

**Addressing Issues Society Is Now Confronting**

MUFG is tackling business incubation and supporting innovation by providing growing industries and venture startups with a variety of business opportunities.

As part of these efforts, since 2014 we have held Rise Up Festa in which we take full advantage of our network and abundant know-how in management support and other fields to assist venture startups that take on novel or unique business endeavors over the medium- to long-term.

In fiscal 2021, the eighth round of Rise Up Festa was held with the objective of identifying promising startups that will contribute to the resolution of emerging social issues attributable to the effects of the COVID-19 pandemic. As a result, a variety of unique and appealing business proposals were presented at the event, with the number of applicants exceeding 180.

**Ensuring Equal Access to Financial Services**

By ensuring equal access to financial services, MUFG supports economic development and improvements of living standards in emerging and developing countries, while addressing issues arising from gaps in information.

We believe that access to financial services is a means of enriching our lives, and as one of the efforts to achieve that end, Krungthai (Bank of Ayudhya), a partner bank in Thailand, provides microfinance through its subsidiary HATTHA Bank Plc. (HTB) which is located in Cambodia.

Also, MUFG Union Bank provides low and middle income households with products such as housing loans, including loans subsidized by the government, to enable them to secure opportunities for house ownership. Moreover, MUFG Union Bank provides financial literacy education in an effort to help correct disparities affecting that part of society at a disadvantage due to information gaps.

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**Developing Social Infrastructure**

To help develop a social infrastructure that is resilient against disaster and vitalize regional communities, MUFG is engaged in project finance and the formulation of funds, accommodating funding needs associated with the strengthening of aged infrastructure at home and abroad as well as the development of social infrastructure, especially in emerging countries.

In fiscal 2020, we extended our support to regions affected by the COVID-19 pandemic as part of a public-private partnership and worked to assist the domestic tourism industry in its creative pursuit of innovation.

Moreover, in the wake of the rapid popularization of digital technologies, we are striving to develop a solid financial system equipped with enhanced cyber security measures and capable of offering higher customer convenience. In this way, we are contributing to the safe and secure social transition to digital technologies.

For details on MUFG’s cyber security initiatives, please refer to pages 103 and 104.

**Supporting Industrial Development & Innovation**

In addition, we host online venture business matching meetings, with the aim of providing startups with new business opportunities and assisting large corporates in their pursuit of open innovation. In fiscal 2020, the latest round of such meetings was focused on matching up businesses in the fields of AI and digital transformation.

In April 2021, the Bank launched the Startup Advisory Division, a dedicated team specializing in venture startup assistance. Looking ahead, MUFG will act as a partner for venture startups and work hand in hand with them to grow together.

**Ensuring Equal Access to Financial Services**

By ensuring equal access to financial services, MUFG supports economic development and improvements of living standards in emerging and developing countries, while addressing issues arising from gaps in information.

We believe that access to financial services is a means of enriching our lives, and as one of the efforts to achieving that end, Krungthai (Bank of Ayudhya), a partner bank in Thailand, provides microfinance through its subsidiary HATTHA Bank Plc. (HTB) which is located in Cambodia.

Also, MUFG Union Bank provides low and middle income households with products such as housing loans, including loans subsidized by the government, to enable them to secure opportunities for house ownership. Moreover, MUFG Union Bank provides financial literacy education in an effort to help correct disparities affecting that part of society at a disadvantage due to information gaps.

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**Results of HTB Microfinance in 2020**

<table>
<thead>
<tr>
<th>Number of transactions</th>
<th>184,490 (+4% year on year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding loan balance</td>
<td>¥3.323 million (+24% year on year)</td>
</tr>
<tr>
<td>Number of branches</td>
<td>177 (+6% year on year)</td>
</tr>
</tbody>
</table>

*Replaced from Khetaka Kalsea Limited in August 2020*
MUFG’s Pursuit of Value Creation
Management Strategies and Performance
Leadership and Governance
Financial Data / Corporate Data

Management Strategies and Performance

Sustainability Initiatives
Addressing Issues Society Is Now Confronting

Promoting Workstyle Reforms
Currently, we are pushing ahead with expanding the scope of banking procedures that can be completed online, believing that improving the efficiency of our financial functions, which constitute a part of social infrastructure, will help society as a whole achieve higher productivity. In addition to making us more productive.

To enable customers to undertake procedures from anywhere, we enhanced the functions offered by the “MUFG Biz” portal site for corporate clients, making it possible to confirm various notifications online and request the shipping of forms necessary for paper-based procedures.

Going forward, we will help our corporate clients promote workstyle reforms by introducing online procedures for account openings and contracts and relieving them from the burdens of visiting branches and using the postal system.

For details on MUFG’s workstyle reform initiatives, please refer to page 73.

Response to Poverty
MUFG is tackling poverty issues in line with its support of the United Nations Sustainable Development Goals (SDGs), which aim to create a sustainable world that leaves no one behind. In addition to utilizing our financial functions to help those in need, our initiatives in this field include a broad range of social contribution activities, such as making donations.

Recently, we have decided to launch donation programs to extend ongoing financial assistance to three NPOs*1 whose missions focus on supporting low income households and children combating diseases. This decision reflects our aspiration to contribute to sustainable social development by empowering children, who will shape society in the future, to have hopes and dreams.

Reduction of Educational Disparities
Believing that proper education is the bedrock of a stable society and empowers it to achieve sustainable economic development, we provide financial and economic education to help raise the contribution activities, such as making donations. To address this inequality, in fiscal 2020 we contributed a total of ¥5.4 billion in donations for students wanting to continue learning but inhibited by the financial repercussions of the pandemic. By doing so, we assisted these young people in their pursuit of higher education and supported their livelihoods.

Overcoming Threats to Health
We also believe that maintaining public health is key to the constant improvement of how society functions and this, in turn, empowers people to enjoy sustainable economic activities. In line with this belief, the Bank co-founded a medical fund worth a total of ¥10.0 billion in tandem with Mitsubishi UFJ Capital, with the aim of assisting venture startups that pursue the creation of new pharmaceuticals and breakthroughs in regenerative medicine and other life-science endeavors, including the development of COVID-19 countermeasures. In addition, Bank Danamon, our partner bank in Indonesia, has supported those who engage in activities to combat the spread of COVID-19 through donation of 4,000 pieces of personal protective equipment to healthcare workers and insurance coverage to 10,000 volunteers. Through such efforts, MUFG strives to help create a society in which all stakeholders feel safe and can stay healthy by offering its financial functions and engaging in social contribution activities.

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MUFG is participating in a variety of initiatives to fulfill its social responsibilities as a financial institution, live up to requests from the international community and contribute to the creation of a sustainable society.

United Nations Global Compact
Task Force on Climate-related Financial Disclosures (TCFD)
United Nations Environment Programme Finance Initiative (UNEP FI)
Principles for Responsible Banking (PRB)

Principles for Responsible Investment (PRI)
CDP
EQUATOR PRINCIPLES (EP)
CDP
CDPR
equit

Climate action 100+
Keidanren Challenge Zero
Japan Climate Initiative
Poseidon Principles

Operating Principles for Impact Management
Declaration of Biodiversity by Keidanren
Japan Partnership for Circular Economy
Net-Zero Banking Alliance

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Net-Zero Banking Alliance
Dialogue between Outside Directors and Institutional Investors

Here, we present a summary of a question and answer session held as part of a small meeting attended by institutional investors and MUFG’s outside directors that took place in March 2021.

Hirofumi Nomoto
Chair of the Remuneration and Governance Committee
Member of the Compensation Committee

What are your views on the challenges MUFG is confronting and the Group’s strengths?

Nomoto  The foremost challenge that MUFG is confronting is its higher expense ratio. I believe MUFG needs to thoroughly scrutinize the root causes of the higher expense ratio. For example, even though it has been more than a decade and a half since its inauguration via the merger, the Company should assess whether differences in the corporate cultures of pre-merger entities and psychological divisions among employees from different backgrounds may be inhibiting measures to streamline operations.

Also, for MUFG to improve ROE, the Company must meet the challenge of strengthening its earnings power on top of its level of depositor trust and confidence MUFG has earned and, I believe, one reason why MUFG is able secure robust profits from its treasury operations.

Nomoto  Currently, the environment surrounding financial institutions is extremely challenging, reflecting a global trend toward low interest rates along with the COVID-19 pandemic and resulting growth in the importance of digital transformation as well as the pressing call for climate change response. I am well aware of investor anxiety regarding the profitability of MUFG’s customer-segment business. Some have pointed out that MUFG is dependent in terms of profitability on its equity in earnings of Morgan Stanley, an equity method affiliate, and profits from treasury operations undertaken by the Global Markets Business Group. On the other hand, these operations can be described as sources of strength for MUFG. In truth, Morgan Stanley’s profit contribution is a result of investment undertaken at the time of the global financial crisis. Moreover, MUFG boasts a higher deposit-to-equity balance than any other domestic bank. This is a testament to the level of depositor trust and confidence MUFG has earned and, I believe, one reason why MUFG is able secure robust profits from its treasury operations.

Could you describe the Board of Directors’ discussion when formulating the new MTBP?

Nomoto  Rather than a conventional bottom-up approach, the new MTBP takes a top-down approach that allows top management to communicate strong messages with regard to what MUFG must do in the future, thereby ensuring that these ideas are shared by all business groups. In the course of formulating the plan, the Board engaged in thoroughgoing deliberations on the status of the Group’s business portfolio, what it aims to be and the metrics to be used to measure the plan’s success. As outside directors we, of course, took part in these deliberations and offered our opinions regarding the transformation of corporate culture, the corporate ideals to be achieved and the formulation of strategies to this end.

Nomoto  Shortly after I assumed the office of outside director at MUFG, I requested that the Company conduct a detailed analysis of ROE. In response, I was presented with well-organized data with regard to each business group’s expense ratio, interest margin, RWAs and other factors, data that made each of these groups potential for improving ROE visible. I expect that, having positioned ROE as a KPI determining the success of its MTBP, the Company will yield robust outcomes from its initiatives centered on improving ROE.

Also, I would like to express my respect for MUFG’s top management decision to integrate initiatives aimed at helping resolve environmental and social issues with its business strategies. Although European banks are ahead of their Japanese peers in terms of environmental initiatives, MUFG became the first domestic bank to issue sustainability bonds while initiating the provision of Sustainability Linked Loans. The Company’s proactive approach in these fields is highly commendable. However, garnering high league table rankings for the issuance of such bonds and loans is in itself relevant. Rather, the Company should focus on securing profitability in a way that yields a positive environmental and social impact while striving to become more creative. This is what I have recommended to MUFG’s top management. Going forward, I expect MUFG to play a leading role in the ESG field in terms of determining asset pricing standards and underwriting and financing criteria.

How do you strive to meet stakeholder expectations as outside directors?

Honda  As I have experience in a number of front-line duties involving direct contract with customers, I am always conscious of the customer perspective when I contribute my opinions. Financial institutions are often positioned to contribute to society, albeit indirectly, via the provision of assistance to customer business. Taking this into account, these institutions should clarify their commitment to executing business operations and helping resolve social issues in an integrated manner. In particular, the likelihood of future growth in net interest income is limited within the current harsh environment influenced by a prolonged trend toward low interest rates. Therefore, banks need to provide shareholders as well as their employees with easy-to-understand explanations of the added value they can create and the future potential of their businesses. To help MUFG grow into “the world’s most trusted financial group,” we will continue doing our best to contribute to improvement in its corporate value.

Honda  Taking heed of feedback gleaned from dialogue with institutional investors, analysts and other input, I have communicated my thoughts regarding challenges MUFG must tackle to top management at Board of Director meetings and other opportunities. I feel that what I have suggested is received positively at the Company. As I am willing to continuously study about MUFG, I would be grateful if I could receive further input via the IR team or other bodies.
Corporate Governance

Basic Policy

In line with the MUFG Way, we strive to be “the world’s most trusted financial group” in the medium-to-long term and, to this end, have positioned properly developing and operating our corporate governance structure as one of management issues deserving the utmost priority. Since its establishment, MUFG has built a stable and effective corporate governance structure with an emphasis on ensuring external oversight. For example, the holding company adopted the “company with three committees” structure to secure functional separation between management supervision and business execution, thereby strengthening the oversight function of its Board of Directors. Through these and other measures, we continually endeavor to develop a more effective and efficient governance system that will enable us to gain the understanding of stakeholders around the world regarding how we ensure robust corporate governance.

Management Structure

MUFG’s Board of Directors consists of 16 directors, including individuals equipped with in-depth knowledge of its business operations as well as specialists boasting extensive insights in finance, financial accounting, risk management, legal compliance, and other diverse areas of strengths. The Board’s composition is well balanced and particularly focused on securing diversity in terms of nationality, gender and other attributes among its outside directors, who make up the majority of its overall membership.

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Committees

Having served as Governor of the Bank of Thailand, Ms. Watanagase boasts extensive experience as an attorney and is equipped with invaluable expertise as a corporate manager. President & Representative Director of TOKYU CORPORATION, Mr. Nomoto has fulfilled a number of key management positions, including that of CEO of NTT DOCOMO, INC. He is a trusted financial group” in the medium- to long-term and, to this end, have positioned properly developing and operating our corporate governance structure as one of management issues deserving the utmost priority. Since its establishment, MUFG has built a stable and effective corporate governance structure with an emphasis on ensuring external oversight. For example, the holding company adopted the “company with three committees” structure to secure functional separation between management supervision and business execution, thereby strengthening the oversight function of its Board of Directors. Through these and other measures, we continually endeavor to develop a more effective and efficient governance system that will enable us to gain the understanding of stakeholders around the world regarding how we ensure robust corporate governance.

Roles Outside Directors Are Expected to Fulfill

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

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

List of Outside Directors

<table>
<thead>
<tr>
<th>Name</th>
<th>Gender</th>
<th>Current position at MUFG and appointment date</th>
<th>Specialty</th>
<th>Reasons for appointment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mariko Fujii</td>
<td>Female</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kohko Honda</td>
<td>Female</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kaoru Kato</td>
<td>Male</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satoko Kuekabara</td>
<td>Female</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Toby S. Myerson</td>
<td>Male</td>
<td></td>
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<tr>
<td>Hirofumi Nomoto</td>
<td>Male</td>
<td></td>
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<td></td>
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<tr>
<td>Yasushi Shinga</td>
<td>Male</td>
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<td></td>
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<tr>
<td>Kuchi Tsuji</td>
<td>Male</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tarisa Wateranaga</td>
<td>Female</td>
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</tr>
</tbody>
</table>

External Advisors Supporting MUFG in Environmental and Social Fields

To promote sustainability management, MUFG maintains two advisor positions for external specialists representing the environmental and social fields. We are striving to incorporate the broad range of insights offered by these specialists with regard to CSS issues by inviting them to engage in the periodic exchange of opinions with the Board members.

Introduction

MUFG's Pursuit of Value Creation

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Leadership and Governance

Financial Data / Corporate Data

MUFG Report 2021

MUFG Report 2021
MUFG’s Board of Directors is charged with decision making regarding fundamental management policies while exercising supervision over management. In general, authority over matters other than legally mandatory items that should be decided by the Board of Directors is delegated to corporate executives to ensure highly flexible management.

In fiscal 2020, the Board's initiatives started with mapping agenda items to be discussed and preparing its annual schedule. The Board selected themes requiring intensive discussion, such as the new Medium-Term Business Plan (MTBP), starting from fiscal 2021, and sustainability management. Moreover, we developed the in-depth PDCA cycle and shortened the time for Board meetings per one round to enhance the effectiveness and efficiency of its operations.

Fiscal 2020 Initiatives Undertaken by the Board of Directors

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 contributors, 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 2020 evaluation, interviews were undertaken in February and March 2021 and completed questionnaires collected. The evaluation determined that the Board of Directors succeeded in improving its mode of operations by, for example, selecting themes truly requiring intensive discussion and optimally allocating time for discussing each agenda item based on the degree of its importance. The effectiveness of the Board of Directors’ operations was thus confirmed.

On the other hand, the Board of Directors identified a growing need for the empowerment of the executive team to better position it to spearhead corporate transformation and execution of initiatives.

In addition, the evaluation confirmed that operations of statutory committees (Nominating and Governance, Compensation and Audit) are effective. MUFG will strive for the further enhancement of functions offered by these bodies.

Evaluation Framework of the Working Practices of the Board of Directors’ Operations

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Corporate Governance

Outline of Committees and Their Fiscal 2020 Initiatives

Nominating and Governance Committee
With an outside director as Chairperson, the Committee determines proposals to be submitted to the General Meeting of Shareholders with regard to the nomination of director candidates and the removal of director(s) while discussing matters related to candidates for major management positions in the holding company or major subsidiaries. It also deliberates corporate governance policies and frameworks in place at these entities and makes recommendations thereon to the Board of Directors.

Compensation Committee
With an outside director as Chairperson, the Committee discusses and decides on compensation systems for directors and corporate executives at the holding company and its major subsidiaries as well as on matters associated with the content of individual compensation and makes recommendations to the Board of Directors.

Audit Committee
With an outside director as Chairperson, the Committee examines the execution of business by directors and corporate executives and prepares auditing reports. As part of its supervision over business execution, it also monitors and oversees the content of financial reporting as well as the status of risk management, internal control, regulatory compliance, internal audits and external audits, thereby supplementing supervisory functions of the Board of Directors.

Risk Committee
With an outside director as Chairperson, the Committee mainly examines important matters associated with groupwide risk management in general, risks that may exert a significant impact on the Group's business management and risks that have recently emerged or are currently growing and submits its recommendations to the Board of Directors.

Main Initiatives
- The Committee deliberated the content of proposals to be submitted to the General Meeting of Shareholders with regard to the nomination of director candidates and discussed candidates for major management positions in the holding company and the Bank, excluding the latter's president.
- The Committee engaged in in-depth deliberations contributing to the improvement of the effectiveness of the Board of Directors' operations, which helped yield a positive effect.

In addition to regularly addressing such matters as bonuses to be paid based on the evaluation of Group CEO, etc., the Committee discussed and decided such matters as the revision of a performance-based stock compensation plan in step with the launch of the new MTBP as well as the updating of policies for the determination of compensation in light of the implementation of the new MTBP, the enforcement of the revised Corporate Act and other factors.
- With regard to the performance-based stock compensation plan, the Committee decided to adopt ESG rating agency's evaluation to further promote sustainability management.

At MUFG, the Nominating and Governance Committee is engaged in ongoing discussion regarding ways of nurturing candidates for major management positions at the holding company and its major subsidiaries. To this end, the Committee has defined desirable traits for management members (e.g. desirable competencies, skills, backgrounds and other attributes according to position). Based on criteria formulated in line with these traits, candidates are identified and grouped by generation. In nominating candidates for Group CEO and other leadership positions, the Committee examines candidates identified in the course of succession planning in terms of their personalities, executional skills, career records and performance while referring to the results of a 360-degree assessment conducted by an external agency based on a balanced scorecard, the Committee deliberates on the aptitude of each candidate. Lastly, the Committee reviews each individual and prepares proposals on the nomination of candidates that are, in turn, submitted to and finalized by the Board of Directors.

Succession Plans and Selection Process for Group CEO and Other Corporate Leader Candidates

At MUFG, the Nominating and Governance Committee is engaged in ongoing discussion regarding ways of nurturing candidates for major management positions at the holding company and its major subsidiaries. To this end, the Committee has defined desirable traits for management members (e.g. desirable competencies, skills, backgrounds and other attributes according to position). Based on criteria formulated in line with these traits, candidates are identified and grouped by generation. In nominating candidates for Group CEO and other leadership positions, the Committee examines candidates identified in the course of succession planning in terms of their personalities, executional skills, career records and performance while referring to the results of a 360-degree assessment conducted by an external agency based on a balanced scorecard, the Committee deliberates on the aptitude of each candidate. Lastly, the Committee reviews each individual and prepares proposals on the nomination of candidates that are, in turn, submitted to and finalized by the Board of Directors.

In fiscal 2020, we divested equity holdings worth approximately ¥1270 billion (simple sum of the Bank and the Trust Bank on an acquisition-cost basis). Over the three years from fiscal 2021 to fiscal 2023, we aim to reduce equity holdings by more than ¥3,000 billion.

With regard to the exercise of voting rights accompanying equity holdings for the purpose of policy-oriented investment, we base our voting judgment on comprehensive consideration as to whether our vote will contribute to the medium- to long-term improvement of the corporate value of our corporate clients and their sustainable growth as well as the possibility of growth in the economic interest of the holding company, the Bank and the Trust Bank over the medium- to long term. We occasionally engage in dialogue with representatives of corporate clients prior to casting our vote on important agenda items. The status of the exercise of voting rights associated with important equity holdings is reported to the holding company’s Board of Directors.

In addition, the verification of the economic rationales for equity holdings uses the overall business ROR(8) as calculated by dividing revenues from banking transactions plus trust banking transactions with and without core capital (e.g. dividends, etc.) from a specific corporate client group, less expected losses and other expenses, by balance sheet in the calculation. RORAs are determined based on a risk-based method (the sum of credit assets and fair-value based equities) in light of the capital adequacy ratio regulations applied to MUFG.

As of March 31, 2020, the overall business ROR(8) associated with equity holdings subject to this verification was approximately 1.6 times the threshold. Individually, 85% of our corporate clients achieved RORAs higher than the threshold, and such equity holdings (WHIP) account for 49% (on book-value basis) and 90% (on fair-value basis) of overall equity holdings.

*1 As of March 31, 2020, the total fair value of the important equity holdings accounted for approximately 70% of the total fair value of listed stocks held by the Bank and the Trust Bank for the purposes of policy-oriented investment.

Compensation System

MUFG’s compensation system for directors and executives is designed to better motivate recipients to contribute to improvement in operating results in the short, medium and long term by giving them an opportunity to take on the challenges of driving innovation in a way that avoids excessive risk-taking. In this way, our compensation system aims to help MUFG achieve its management objectives, strengthen its business resilience and competitiveness and enjoy sustainable growth and medium- to long-term improvement in corporate value while enabling the further advancement of its sustainability management.

The compensation system is also developed with reference to external agency assessment and the status of the system, the status of the system and the group companies’ operating results, its financial soundness and regulations enforced at home and abroad on compensation paid to executives while ensuring that our process for determining compensation is highly objective and transparent.

Financial Data / Corporate Data

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In fiscal 2021, we reviewed performance-linked indicators for determining stock compensation in conjunction with the launch of the new MTBP. This review resulted in the adoption of a new indicator determined by the degree of improvement in external ratings granted by five major ESG rating agencies. In addition, we adopted Total Shareholder Return (TSR) as an indicator for use in the qualitative evaluation of Group CEO performance as part of a process for determining the amount of cash bonuses paid to this position.

**Composition of Compensation**

In principle, compensation consists of (1) annual base salary (fixed), (2) performance-based stock compensation (linked to stock price and medium- to long-term performance) and (3) cash bonuses (linked to short-term performance). Proportions accounted for by each compensation item vary by the position held by each individual. The ratio of performance-based portions (2) and (3) to compensation paid to the Group CEO is highest at 67%. The ratio of such portions is set at approximately 60% for the Chairman and Deputy Chairman and approximately 50% for the Deputy President. The ratio of such portions then decreases in the following order: Senior Managing Corporate Executives, Managing Corporate Executive Officers and Executives without such titles.

In addition, stock compensation and cash bonuses are not paid to outside directors and directors who serve as Audit Committee members in light of their duties of exercising supervisory and monitoring functions over management.

<table>
<thead>
<tr>
<th>Composition of Compensation</th>
<th>Performance-based portions</th>
<th>Cash bonuses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual base salary</td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>Four components based</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Base amount by position</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance factor</td>
<td>(Medium to long-term achievement evaluation)</td>
<td>(performance evaluation factor applied to Group CEO)</td>
</tr>
<tr>
<td>Target attainment rate of indices below in MTBP</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>(1) Consolidated ROE</td>
<td>0% (Fiscal 2020 consolidated ROE: 5.63%)</td>
<td>-</td>
</tr>
<tr>
<td>(2) Consolidated expenses reduction amount (excluding those linked to investments)</td>
<td>25%</td>
<td>-</td>
</tr>
<tr>
<td>(3) Comparison of year-on-year growth rate of indices below with competitors</td>
<td>25%</td>
<td>-</td>
</tr>
<tr>
<td>Performance factor (qualitative evaluation factor)</td>
<td>25%</td>
<td>-</td>
</tr>
<tr>
<td>(1) Consolidated net operating profits</td>
<td>25%</td>
<td>-</td>
</tr>
<tr>
<td>(2) Profits attributable to owners of parent company</td>
<td>25%</td>
<td>-</td>
</tr>
<tr>
<td>At the end of the MTBP</td>
<td>50% in shares of cash</td>
<td>50%</td>
</tr>
<tr>
<td>Monthly cash payment</td>
<td>Cash</td>
<td>1</td>
</tr>
<tr>
<td>Performance factor</td>
<td>(Medium to long-term achievement evaluation)</td>
<td>(performance evaluation factor applied to Group CEO)</td>
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<td>Cash</td>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Performance-based indices</th>
<th>Performance evaluation factor applied to Group CEO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal 2020</td>
<td>115%</td>
</tr>
<tr>
<td>Fiscal 2021</td>
<td>125%</td>
</tr>
<tr>
<td>Fiscal 2022</td>
<td>135%</td>
</tr>
<tr>
<td>Fiscal 2023</td>
<td>145%</td>
</tr>
</tbody>
</table>

**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.

**Leadership and Governance**

In December 2020, MUFG held its eighth annual Global Advisory Board meeting on an online basis. In addition to Global Advisory Board members from Europe, the Americas and Asia, attendees included MUFG executives, including the Group CEO, international directors and outside directors as well as executives from Kongsberg Security Bank, VistraBank and Bank Danamon.

At the meeting, insightful opinions contributed by each Global Advisory Board member prompted brisk discussion between attendees. The topics discussed were centered on important matters that may affect MUFG’s global strategies, including changes in the socio-economic environment and business activities in the wake of the COVID-19 pandemic, developments in U.S.-China relations, the impact of risks in China’s economic and military power on the ASEAN economic zone and other global geopolitical issues in addition to the latest trends in global financial regulations and the outlook for sustainable financing.

**Financial Data / Corporate Data**

**Performance evaluation conducted to determine cash bonuses and its results (Group CEO)**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total evaluation</td>
<td>100%</td>
<td>10%</td>
<td>7.5%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Quantitative evaluation</td>
<td>60%</td>
<td>98.5%</td>
<td>91.7%</td>
<td>83.3%</td>
</tr>
<tr>
<td>Qualitative evaluation</td>
<td>40%</td>
<td>75.0%</td>
<td>50.0%</td>
<td>50.0%</td>
</tr>
</tbody>
</table>

Notes: Each quantitative evaluation indicator is determined by placing equal weight on the year-on-year increase (decrease) and the ratio of accomplishments vis-à-vis targets.

- Qualitative evaluation is determined using an eight-grade rating system, while comprehensive evaluation (the combination of quantitative and qualitative evaluation) is determined using the tier grading system.
- All evaluation results are decided solely by independent outside directors in the Compensation Committee.

**MUFG’s Pursuit of Value Creation**

MUFG Report 2021
**Corporate Governance**

**Board of Directors**

**Mariko Fujii**
Member of the Board of Directors (Outside Director)

Tenure as an Outside Director: Two years
- Chairman of Sato C., Inc.
- Former Ambassador Extraordinary and Plenipotentiary of Japan to the Republic of Latvia
- Emeritus Professor of the University of Tokyo

1977 Joint Ministry of Finance of Japan
1997 Director of International Affairs and Research Division, Customs and Tariffs Bureau, Ministry of Finance
1999 Associate Professor, Research Center for Advanced Science and Technology, The University of Tokyo
2001 Professor, Research Center for Advanced Economic Engineering, The University of Tokyo
2004 Professor, Research Center for Advanced Science and Technology, National University Corporation
2006 Director, Electric Power Planning Department
2014 Outside Director of Electric Power Development Co., Ltd.
2015 Retired from the University of Tokyo
2016 Retired from Outside Director of Electric Power Development Co., Ltd.
2016 Emeritus Professor of The University of Tokyo
2017 Retired from Ambassador to Japan in the Republic of Latvia for two years
2019 Outside Director of NTT Data Corporation (Outside Director), MUFG (current)

**Keiko Honda**
Member of the Board of Directors (Outside Director)

Tenure as an Outside Director: One year
- Chairman of Honda Tech Co., Ltd.
- Former Chief Executive Officer of MultiBank Investment Guarantee Agency, Mr. Honda Group
- 1963 President of Company J.
- 1968 Former President of Company K.
- 1988 Managing Director of Company L.
- 2003 Member of the Board of Directors (Outside Director), MUFG (current)

**Hirofumi Nomoto**
Member of the Board of Directors (Lead Independent Outside Director)

Tenure as an Outside Director: Two years
- Chairman of Nomoto Co., Ltd.
- Former Managing Director of Nomoto Co., Ltd.
- Former Executive Director of Nomoto Co., Ltd.
- Former President of Nomoto Co., Ltd.
- Former Member of the Board of Directors (Outside Director), MUFG (current)

**Toby S. Myerson**
Member of the Board of Directors (Outside Director)

Tenure as an Outside Director: Four years
- Director of Microsoft Corporation (Former)
- Former Senior Vice President of Microsoft Corporation
- Former Chief Operating Officer of Microsoft Corporation
- Former President of Microsoft Corporation
- Former Chief Executive Officer of Microsoft Corporation
- Former Chairman of Microsoft Corporation
- Former Member of the Board of Directors (Outside Director), MUFG (current)

**Kaoru Kato**
Member of the Board of Directors (Outside Director)

Tenure as an Outside Director: Two years
- Director of Kato Inc.
- Director of Kato Co., Ltd.
- Chairman of Kato Co., Ltd.
- Former President of Kato Co., Ltd.
- Former Managing Director of Kato Co., Ltd.
- Former President of Kato Co., Ltd.
- Former Member of the Board of Directors (Outside Director), MUFG (current)

**Yoichi Sugawara**
Member of the Board of Directors (Outside Director)

Tenure as an Outside Director: Ten years
- Director of Sugawara Co., Ltd.
- Former Senior Managing Director of Sugawara Co., Ltd.
- Former Managing Director of Sugawara Co., Ltd.
- Former Member of the Board of Directors (Outside Director), MUFG (current)

**Kenichi Miyazato**
Member of the Board of Directors (Outside Director)

Tenure as an Outside Director: Three years
- Director of Miyazato Co., Ltd.
- Former Executive Vice President and Representative Director of Miyazato Co., Ltd.

**Yasushi Shingai**
Member of the Board of Directors (Outside Director)

Tenure as an Outside Director: Three years
- Director of Shingai Co., Ltd.
- Former Executive Vice President and Representative Director of Shingai Co., Ltd.

**Iwao Nagashima**
Member of the Board of Directors (Outside Director)

Tenure as a Director: One year
- Director of Nagashima Co., Ltd.
- Former President of Nagashima Co., Ltd.

**Ritsuo Ogura**
Member of the Board of Directors (Audit Committee Member)

Tenure as a Director: Four years
- Director of Ogura Co., Ltd.
- Former President of Oak Group (Japan)

**Junichi Hanawa**
Member of the Board of Directors (Outside Director)

Tenure as a Director: Two years
- Director of Hanawa Co., Ltd.
- Former President of Hanawa Co., Ltd.

**Hironori Kamezawa**
Member of the Board of Directors (Outside Director)

Tenure as a Director: Three years
- Director of Kamezawa Co., Ltd.
- Former President of Kamezawa Co., Ltd.

**Izumi Tanaka**
Member of the Board of Directors (Outside Director)

Tenure as a Director: Three years
- Director of Tanaka Co., Ltd.
- Former President of Tanaka Co., Ltd.

**Kenichi Misumi**
Member of the Board of Directors (Audit Committee Member)

Tenure as a Director: Two years
- Director of Misumi Co., Ltd.
- Former President of Misumi Co., Ltd.

**Ivao Nagashima**
Member of the Board of Directors (Outside Director)

Tenure as a Director: One year
- Director of Nagashima Co., Ltd.
- Former President of Nagashima Co., Ltd.

**Izumi Tanaka**
Member of the Board of Directors (Outside Director)

Tenure as a Director: Three years
- Director of Tanaka Co., Ltd.
- Former President of Tanaka Co., Ltd.

**Hironori Kamezawa**
Member of the Board of Directors (Outside Director)

Tenure as an Outside Director: Four years
- Chairman of Kamezawa Co., Ltd.
- Former Director of Kamezawa Co., Ltd.

**Saburo Akari**
Member of the Board of Directors (Outside Director)

Tenure as an Outside Director: Four years
- Director of Akari Co., Ltd.
- Former Chairman of Kamezawa Co., Ltd.

**Tarisa Watangase**
Member of the Board of Directors (Outside Director)

Tenure as an Outside Director: Four years
- Director of Watangase Co., Ltd.
- Former Director of Watangase Co., Ltd.

**Yasushi Shingai**
Member of the Board of Directors (Outside Director)

Tenure as an Outside Director: Three years
- Director of Shingai Co., Ltd.
- Former Executive Vice President and Representative Director of Shingai Co., Ltd.

**Iwao Nagashima**
Member of the Board of Directors (Outside Director)

Tenure as a Director: One year
- Director of Nagashima Co., Ltd.
- Former President of Nagashima Co., Ltd.

**Izumi Tanaka**
Member of the Board of Directors (Outside Director)

Tenure as a Director: Three years
- Director of Tanaka Co., Ltd.
- Former President of Tanaka Co., Ltd.

**Kenichi Misumi**
Member of the Board of Directors (Audit Committee Member)

Tenure as a Director: Two years
- Director of Misumi Co., Ltd.
- Former President of Misumi Co., Ltd.
Risk Management

Basic Policy

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 enterprise risk management. Our goal is effective risk governance that is consistent across regions, subsidiaries and the holding company. 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. We have incorporated our risk culture into the MUFG Group Code of Conduct and are engraining this culture among directors and employees, mainly through training.

Risk Management Framework

The Risk Committee under the Board of Directors comprises independent outside directors and outside experts. The committee deliberates various matters related to risk management, reports to the Board of Directors and submits recommendations. Based on the deliberations at the committee, the Board decides management and operational policies related to various risks. The holding company decides basic policies for the entire Group, while each Group company develops its own management systems and manages risks in line with these policies.

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.

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.

Specifically, 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.

In order to effectively implement the Risk Appetite Framework, risk evaluation and verification procedures, such as Top Risk management, stress tests and the capital allocation system, will be applied at every stage of the management planning process.

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 environments.

• Future balance sheet simulation based on macroeconomic scenarios

2. Formulate business plan proposal

In pursuing the MUFG Way, 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 will mainly assess the appropriate level of risk appetite. The risk management divisions will mainly assess the appropriate level of risk appetite. The risk management divisions will mainly assess the appropriate level of risk appetite.

• Assess and verify the plan from a risk/return perspective
• Evaluation of the plan’s profitability and soundness based on stress tests

4. Business plan decision

The Executive Committee and Board of Directors discuss and subsequently make decisions based on an integrated view of business strategy, 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 division 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

Cases where risk volume exceeds upper limit

6. Revision of risk appetite

The risk appetite plan may be revised when 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 them 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 proactive 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.

Risk Management

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 (including risks whose probability could increase and also encompassing not just risks that can be quantitatively measured but also those that could have a significant impact on business through strategies and reputation in the future) 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. (Major Top Risks identified by MUFG are as listed below.)

Major Top Risks

<table>
<thead>
<tr>
<th>Risk events*</th>
<th>Risk scenarios</th>
</tr>
</thead>
<tbody>
<tr>
<td>A decline in profitability (including a decline in net interest income)</td>
<td>Our overall profitability may be adversely affected by, among other things, a decline in our net interest income due to further reductions in interest rates as a result of changes in the monetary policies of central banks in various jurisdictions in light of the COVID-19 pandemic and deterioration in global economic conditions.</td>
</tr>
<tr>
<td>An increase in risk-weighted assets (RWAs)</td>
<td>RWAs may increase and the Group's capital adequacy ratio may decrease due to efforts to meet demand for new or additional financing as fundraising support.</td>
</tr>
<tr>
<td>Foreign currency liquidity risk</td>
<td>Deterioration in market conditions may result in a depletion of foreign currency funding liquidity and an increase in our foreign currency funding costs.</td>
</tr>
<tr>
<td>An increase in credit costs</td>
<td>Sudden deterioration in global economic activities may result in an increase in our credit costs.</td>
</tr>
<tr>
<td>IT risk</td>
<td>Cyber-attacks may result in customer information leakage, financial service outage and reputational damage. System failures may result in our payment of financial compensation and damage to our reputation.</td>
</tr>
<tr>
<td>Risks relating to money laundering, economic sanctions, bribery and corruption</td>
<td>If we are deemed not complaint with applicable regulations relating to money laundering, economic sanctions, bribery and corruption, we may become subject to issuance of business suspension orders, fines and reputational damage.</td>
</tr>
<tr>
<td>Market conduct risk</td>
<td>Failing to comply with laws and regulations, breaching a social norm, conducting improper business / market practices or lacking perspectives on customers’ interests may result in administrative business suspension orders, payment of fines or damage to our reputation.</td>
</tr>
<tr>
<td>Risks relating to external circumstances or events (such as health pandemics, earthquakes, floods, terrorism, etc.)</td>
<td>Health pandemics, natural disasters, conflicts and terrorist attacks may result in disruption to all or part of our operations or an increase in costs and expenses in addressing such circumstances or events.</td>
</tr>
<tr>
<td>Climate change-related risks</td>
<td>If our efforts to address climate change-related risks or to make appropriate disclosure are deemed insufficient, our corporate value may be impaired. Our credit portfolio may be adversely affected by the negative impact of climate change on our borrowers and transaction counterparts.</td>
</tr>
</tbody>
</table>

*The aforementioned risk scenarios are examples of scenarios reported to MUFG’s Board of Directors after being discussed at a Risk Committee meeting held in March 2021. These scenarios include types of incidents that are not necessarily specific to MUFG and can happen to business corporations in general.

Stress Tests

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 Top Risks and 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 of the materialization of risks. This also helps us verify the propriety of our business strategy.

Liquidity stress tests

In liquidity stress tests, the impact of MUFG-specific or overall market stress on the balance sheet is assessed so as to implement MUFG’s business strategy and financial plan. Various options for responding to short term fund outflows or long term structural changes in the balance sheet are examined with a view to ensuring there is no funding shortage.

Operational Resilience

MUFG is exposed to various threats, including the outbreak of COVID-19, as well as natural disasters, such as an earthquake in Tokyo Metropolitan area or wind and flood damage becoming more exacerbated and frequent due to climate change, and the threat of cyber-attacks increased by the trend of digitalization. Under this circumstance, enhancing the ability to recover from crises is becoming a matter of concern for government agencies in Japan and other countries, as exemplified by the announcement of the “Principles for Operational Resilience” released by the Basel Committee on Banking Supervision in March 2021.

Also in MUFG, enhancing crisis response capabilities is a significant management theme. Learning from various crises that have occurred inside and outside the Group, we are constantly enhancing our frameworks to rapidly recover operations even during a crisis and minimize effects on customers and markets.

Currently, under the rapid adoption of work-from-home due to the pandemic, we established a purpose for new workstyles, “establishing resilient business continuity frameworks that can flexibly respond to various crises and maintain stable financial functions.” We are striving to revise each framework and enhance effectiveness through training.

Examples of Specific Initiatives

- Expansion of sustainable operations from home as an addition to existing dual headquarters operations framework in Tokyo and Osaka
- Construction of online operational frameworks for Crisis Control Headquarters established during crisis
- Continuous strengthening of ability corresponding to various risks arising from the vulnerability of operations caused by current shift to online, such as disruptions in communications and power outages
- Enhancement of effectiveness of crisis response through group joint training for various crises, such as disasters and cyber-attacks

Capital Allocation System

In this framework, latent losses associated with risk are converted to a required capital amount, and capital is then allocated across Group companies and between different risk categories according to business strategy and the profit plan. The framework is intended to allow the appropriate distribution of capital throughout the Group as MUFG monitors to preserve financial soundness, evaluate capital adequacy versus risk and judge impact on overall capital strategy.
Cyber Security

MUFG is well aware of its social responsibilities for securing the assets entrusted by 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 are promoting cyber security measures under management’s leadership.

Cyber Security Management Structure

MUFG has cyber security standards that reference international guidelines and is engaged in the development of relevant strategies and organizational structures as well as the planning and implementation of initiatives aimed at enhancing its cyber security measures.

MUFG enacted the Cyber Security Management Declaration with the intention of securing robust responsiveness to cyber-attacks and crimes that have become increasingly sophisticated and complex and strengthening our security management structure under the direct supervision of top management. Under the leadership of the Group Chief Information Security Officer (CISO), the Cyber Security Office plays a central role to enhance IT security governance and to promote effective cyber security strategies efficiently. MUFG also has a structure for reporting to the Board of Directors and the Executive Committee that facilitates top management decision making, ensuring that MUFG is responsive to changes in cyber security threats as well as in the status of MUFG’s cyber security management.

Cyber Security Governance Structure

Management Structure

MUFG launched the MUFG Cyber Security Fusion Center (MUFG CSFC) as part of the Cyber Security Office. The fusion center is tasked with intelligence analyses and other cyber security-related operations and plays a role in around-the-clock security monitoring on a global and global basis. MUFG has been upgrading the ability of its incident response teams to ensure that cyber security incidents are dealt with swiftly. MUFG-CERT is leading the implementation of cyber security measures at each Group company and is securing close collaboration with government agencies and other financial institutions for the periodic execution of cyber security training and drills aimed at securing preparedness for incidents.

Main Initiatives to Counter Cyber Security Threats

Security Measures in Response to the New Lifestyle Norms

As remote work increases rapidly due to the COVID-19, cyber attacks and frauds exploiting the vulnerabilities are on the rise. In response to the changes in the environment, MUFG conducted thorough validation of remote work environment on a groupwide and global basis, enhancing of cyber security measures against newly disclosed vulnerabilities and of employee education on the use of remote work devices.

With the rapid progress of the use of electronic payments on the Internet such as Internet banking, cybercrimes that target online services have also become social issues. MUFG is implementing a variety of initiatives to deliver safe and secure services to customers, such as ensuring robust online verification, thoroughgoing vulnerability countermeasures, threat intelligence, anomaly detection, and suspicious-transaction monitoring with swift response.

Our Response to Digital Transformation (DX)

MUFG proactively promotes value creation driven by new technologies such as Cloud services, Big Data, AI, Robotics, Blockchain and Open APIs.

From the viewpoint of ensuring cyber security, we carefully examine the characteristics of new technologies and appoint security specialists of the Cyber Security Office to participate in relevant projects from upstream processes, such as planning and design. Moreover, the Cyber Security Office incorporates multi-layered cyber security measures, including management procedures and monitoring of system settings, to support safe and secure transformation to new modes of operations supported by cutting-edge technologies.

Providing Cyber Security Education to Foster a Proper Culture

For MUFG to maintain the stable operation of its financial infrastructure and to constantly deliver valuable services to customers, it is essential to foster a corporate culture where each employee understands the importance of cyber security and considers what should be done as a company while acting in collaboration with other financial institutions or government authorities.

In addition to developing human resources with advanced cyber security expertise, the Cyber Security Office provides executives and employees of MUFG affiliates as well as employees of partner companies with education on security threat trends and necessary countermeasures through a variety of tools and programs, such as e-learning, phishing mail exercises and security seminars. The Cyber Security Office is also engaged in various activities with external organizations such as collaboration with the Financial ISAC Japan, IT security association of financial institutions, and participation in various training and drills hosted by the NISC (National center of Incident readiness and Strategy for Cybersecurity), the Financial Services Agency or the Tokyo Metropolitan Police Department.
Compliance

<table>
<thead>
<tr>
<th>Basic Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>We have established MUFG Group Code of Conduct as a set of guidelines for how the Group’s directors and employees should act to realize the MUFG Way. The code 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 the geographic scope of our business globally, we are committed to keeping abreast of developments in laws and regulations of the jurisdictions in which we operate, including anti-money laundering and anti-bribery rules as well as competition laws, while paying attention to trends in financial crimes.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Compliance Framework</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management and coordination of compliance-related matters are the responsibility of separate compliance management divisions established at the holding company and the major subsidiaries, namely, the Bank, the Trust Bank and Mitsubishi UFJ Securities Holdings (hereinafter, the “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 established a Group Compliance Committee while the three subsidiaries have Compliance Committees under their executive committees to deliberate key issues related to compliance. Additionally, the holding company has a Group-Chief Compliance Officer, or CCQ Committee, which consists of the CCOs of the holding company and the CCOs of the three subsidiaries. The Group CCO Committee deliberates important matters related to compliance and compliances-related issues for which the Group should share a common understanding.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ensuring Thorough Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>We engage in ongoing efforts to ensure that each employee embraces proper action principles in accordance with the Code of Conduct by, for example, providing various compliance training and distributing messages from top management. Every year, we update the content of the Code of Conduct with reference to and distributing messages from top management. Every year, we update the content of the Code of Conduct with reference to changes in the business environment at home and abroad. The updated Code of Conduct released in fiscal 2021 is simplified overall and designed to communicate easy-to-understand messages to employees while incorporating additional commentaries regarding the prohibition of improper entertainment and gifts as well as the prevention of bribery and corruption with the aim of living up to the global standards required of us by regulatory authorities. As such, MUFG is constantly striving to ensure thorough compliance.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Initiatives to Enhance Global Financial Crimes Compliance Framework</th>
</tr>
</thead>
<tbody>
<tr>
<td>MUFG established the Global Financial Crimes Division (“GFCD”), which is in charge of Anti-Money Laundering (“AML”), Counter-Terrorist Financing (“CFT”), Sanctions Compliance, and Anti-Bribery and Corruption (collectively, “Global Financial Crimes Compliance”), against the backdrop of heightened regulatory expectations in that area. MUFG established GFCD’s headquarters in New York, where the excellence for financial crimes risk management is centralized, and is implementing a number of initiatives to prevent, detect, and deter financial crimes. MUFG established policies that define the governance and oversight structure for financial crimes risk management 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. Through these policies, MUFG promotes a consistent and integrated approach across the Group globally. MUFG Bank, one of the Group companies, incorporated the Group’s mandate in the “Global Financial Crimes Policy Statement,” which is available on the Bank’s public website and provides confirmation that the Bank is committed to financial crimes risk management and has in place appropriate controls. As a member of the Wolfsberg Group,*1 the Bank is proud to work with other financial global institutions to develop frameworks and guidance for the financial crimes risk management. In addition, the Bank established shared organizations (Centers of Excellence) in the Americas, EMEA, Asia, and Japan. Through those Centers of Excellence, the Bank is centralizing certain AML and sanctions compliance processes and expertise to assist in the fight against money laundering, terrorist financing, and sanctions violations. As processes move from local branches and offices and become integrated into the Centers of Excellence, the Bank will be better positioned to achieve globally consistent and effective operations. The Bank is also enhancing its financial crimes compliance systems and establishing a data warehouse. These enhancements will support a globally consistent, effective, and efficient financial crimes compliance program and will help the Bank detect more complex and sophisticated types of financial crimes in a sustainable and flexible manner. Furthermore, the Bank is investing in its people, with continued hiring of financial crimes compliance specialists, training, updated information-sharing, and accumulation and exchange of knowledge and skills through a global staff rotation program. We continue to work on the enhancement of global financial crimes compliance in line with the requirements and expectations of international organizations, including regulators in each country, FATF,*2 etc., to support and strengthen the trust and confidence of society.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Whistle-Blowing Systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>Having positioned its whistle-blowing systems as an important governance tool, MUFG has helped each Group company develop such a system to ensure their ability to identify compliance issues early so that any problems can be quickly rectified. Moreover, the MUFG Compliance Helpline operates year-round and is capable of handling a report from any Group member no matter what their location on an around-the-clock basis. In addition, we aim to ensure that each employee is able to quickly access this helpline whenever he/she has even the slightest suspicion regarding compliance. To this end, we let all employees know about this helpline as well as records on internal reporting accepted thus far. At the same time, we are striving to enhance the reliability of our whistleblowing systems via, for example, the sharing of actual compliance-related cases in a form that makes it impossible to determine the identities of whistleblowers. We are also implementing preparatory measures to secure conformity with the upcoming revision of the Whistleblower Protection Act and to provide employees with even smoother access to the whistleblowing system. Furthermore, whistle-blowing systems in place at the holding company, the Bank, the Trust Bank, Mitsubishi UFJ Securities Holdings, Mitsubishi UFJ Morgan Stanley Securities, Mitsubishi UFJ NICOS and ACOM were registered as conforming to Japan’s Consumer Affairs Agency’s Whistleblowing Compliance Management System (WCMS) certification standards*3 based on self-declaration.</td>
</tr>
</tbody>
</table>

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*1 The Wolfsberg Group is an association of thirteen global banks which aims to develop frameworks and guidance for the management of financial crime risks.
*2 A system that registers business operators. It is designed to conform to prescribed certification standards self-evaluation as well as third-party certification by a registration body designated by the Consumer Affairs Agency.
**Internal Audit**

### Basic Policy

The internal audit aims to evaluate and assist in the improvement of the effectiveness of governance, risk management and control processes with high proficiency and independence. Internal audit results are reported to senior management. Additionally, internal audits suggest ways to help audited departments improve or rectify any issues identified.

We adopted the “MUFG Internal Audit Activity Charter,” which defines our basic policies for internal audits, including the mission, purposes, responsibilities and roles associated with such audits to improve the Group’s corporate value and realize the MUFG Way.

**Internal Audit Framework**

The MUFG Group maintains 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 via cross-board collaboration with other Group entities. In addition to leading the internal audit planning and proposal activities of the Group, the internal audit division at the holding company administers, monitors and, as necessary, guides and advises the internal audit divisions of subsidiaries and affiliated companies. The division also reports to the holding company’s Audit Committee on important matters, including governing principles for internal audit plans and the results of internal audits.

**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. At the same time, through the off-site monitoring, internal auditors attend key meetings, collect important internal control documents and implement other necessary measures to assess any changes in risk status.

**Global Matrix Management**

In April 2020, the Bank’s Internal Audit Division began implementing matrix management. This initiative involves heads of internal audit functions in Japan and elsewhere in Asia as well as the United States and Europe along with global heads in charge of business units subject to audits, such as those associated with Finance, IT and Global Markets, in addition to the Global Financial Crimes Division (GFCD).

Through matrix management, we aim to improve the effectiveness and efficiency of global audits while ironing out regional differences in audit standards.

Specifically, regional heads fulfill accountability for local stakeholders, while global heads equipped with specialist knowledge and experience in their respective fields provide operational instructions by taking a cross-regional approach. In this way, we strive to enhance the quality of audits while nurturing human resources.

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**Initiatives for Practicing a Customer-Oriented Approach**

### Basic Policy

With the aim of ensuring the thoroughgoing practice of customer-oriented undertakings, the MUFG Group Code of Conduct addresses the importance of “Customer Focus” in Chapter 1, while the MUFG Basic Policy for Fiduciary Duties is publicized to provide unified guiding principles for the Group. In line with this policy, all Group entities share a commitment to practicing customer-oriented undertakings and endeavor to improve their products and services.

**Operational Structure**

MUFG works to strengthen its operational structure for ensuring a customer-oriented approach by, for example, holding periodic Fiduciary Duty Promoting Committee meetings while pushing ahead with sharing best practices and other across-the-board undertakings. We also invite external advisors to incorporate insights offered by these individuals from their divergent perspectives.

**Examples of KPIs Disclosed**

1. **Honesty and Integrity**
   - Customer assets and number of investment products held
   - Customer information under management
   - Number of awards won for RRI Fund Awards
   - Number of fund awards won
   - Number of holders of wrap accounts (number of people) and balance
   - Transfer amount for investment trust Discretion
   - Number of holders of investment trust Discretion
   - Average period of holding investment trust funds
   - [Common KPI] Cost/revenue ratio and return of top 20 investment trust funds in terms of AuM
   - [Common KPI] Ratio of customers by gain/loss on fund performance
   - Ratio of customers by gain/loss on fund performance including realigned gain/loss
   - [Common KPI] Ratio of customers by gain/loss on performance of fund wrap
   - Ratio of customers by gain/loss on performance of fund wrap
   - Ratio of customers by gain/loss on performance of fund wrap

2. **Ensuring Quality**
   - Investment trust fund line-up
   - Life insurance product line-up
   - Top 10 investment trust fund distribution and proportion of distribution amount
   - Ratio of distribution amount of products launched by affiliated investment managers
   - Ratio of distribution amount of products launched by affiliated investment managers
   - Ratio of distribution amount of products launched by affiliated investment managers
   - Ratio of distribution amount of products launched by affiliated investment managers
   - Ratio of distribution amount of products launched by affiliated investment managers

3. **Exceeding Customer Expectations**
   - Rating of financial services leveraging the Groups’ consolidated strength
   - Rating of financial services leveraging the Groups’ consolidated strength
   - Rating of financial services leveraging the Groups’ consolidated strength
   - Rating of financial services leveraging the Groups’ consolidated strength
   - Rating of financial services leveraging the Groups’ consolidated strength
   - Rating of financial services leveraging the Groups’ consolidated strength
   - Rating of financial services leveraging the Groups’ consolidated strength
   - Rating of financial services leveraging the Groups’ consolidated strength

For details of the MUFG Basic Policy for Fiduciary Duties, please also visit our corporate website: https://www.mufg.jp/english/profile/governance/audit/
## Consolidated Statements of Changes in Net Assets

### FY 2020 (Millions of Yen)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount 1</th>
<th>Amount 2</th>
<th>Amount 3</th>
<th>Amount 4</th>
<th>Amount 5</th>
<th>Amount 6</th>
<th>Amount 7</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at the beginning of the period</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital stock</td>
<td>1,161,412</td>
<td>1,161,412</td>
<td>1,161,412</td>
<td>1,161,412</td>
<td>1,161,412</td>
<td>1,161,412</td>
<td>1,161,412</td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td>1,500,442</td>
<td>1,500,442</td>
<td>1,500,442</td>
<td>1,500,442</td>
<td>1,500,442</td>
<td>1,500,442</td>
<td>1,500,442</td>
</tr>
<tr>
<td><strong>Restatement and other comprehensive income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revaluation surplus</td>
<td>9,449</td>
<td>9,449</td>
<td>9,449</td>
<td>9,449</td>
<td>9,449</td>
<td>9,449</td>
<td>9,449</td>
</tr>
<tr>
<td><strong>Extraordinary items</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>12,519</td>
<td>12,519</td>
<td>12,519</td>
<td>12,519</td>
<td>12,519</td>
<td>12,519</td>
<td>12,519</td>
</tr>
<tr>
<td><strong>Total changes during the period</strong></td>
<td>2,141,513</td>
<td>977,287</td>
<td>11,200,087</td>
<td>(502,794)</td>
<td>13,816,094</td>
<td>2,583,417</td>
<td>131,566</td>
</tr>
<tr>
<td><strong>Balance at the end of the period</strong></td>
<td>3,641,955</td>
<td>2,518,940</td>
<td>8,500,257</td>
<td>16,710,695</td>
<td>7,597,661</td>
<td>17,716,257</td>
<td>18,858,223</td>
</tr>
</tbody>
</table>

### FY 2019 (Millions of Yen)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount 1</th>
<th>Amount 2</th>
<th>Amount 3</th>
<th>Amount 4</th>
<th>Amount 5</th>
<th>Amount 6</th>
<th>Amount 7</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at the beginning of the period</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital stock</td>
<td>1,161,412</td>
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<td>1,500,442</td>
<td>1,500,442</td>
<td>1,500,442</td>
</tr>
<tr>
<td><strong>Restatement and other comprehensive income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revaluation surplus</td>
<td>9,449</td>
<td>9,449</td>
<td>9,449</td>
<td>9,449</td>
<td>9,449</td>
<td>9,449</td>
<td>9,449</td>
</tr>
<tr>
<td><strong>Extraordinary items</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>12,519</td>
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</tr>
<tr>
<td><strong>Total changes during the period</strong></td>
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<td>17,716,257</td>
<td>18,858,223</td>
</tr>
</tbody>
</table>

**Net cash flow provided by (used in) operating activities**

Consolidated Statements of Cash Flows

### FY 2020 (Millions of Yen)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount 1</th>
<th>Amount 2</th>
<th>Amount 3</th>
<th>Amount 4</th>
<th>Amount 5</th>
<th>Amount 6</th>
<th>Amount 7</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profits before income taxes</td>
<td>1,942,036</td>
<td>629,443</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income and expenses</td>
<td>1,034,641</td>
<td>1,034,641</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss on disposal of subsidiaries' equity</td>
<td>10,623,105</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total cash flows from operating activities</strong></td>
<td>2,141,513</td>
<td>977,287</td>
<td>11,200,087</td>
<td>(502,794)</td>
<td>13,816,094</td>
<td>2,583,417</td>
<td>131,566</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total cash flows from investing activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sales of subsidiaries’ equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sales of subsidiaries’ equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net cash flows from investing activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from issuance of common stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total cash flows from financing activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash flows from changes in financial management</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total cash flows</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net cash flow provided by (used in) operating activities</strong></td>
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<td>(502,794)</td>
<td>13,816,094</td>
<td>2,583,417</td>
<td>131,566</td>
</tr>
</tbody>
</table>
Performance Comparisons with Competitors*1

<table>
<thead>
<tr>
<th>Market Capitalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company</td>
</tr>
<tr>
<td>J.P. Morgan</td>
</tr>
<tr>
<td>Bank of America</td>
</tr>
<tr>
<td>Citigroup</td>
</tr>
<tr>
<td>HSBC</td>
</tr>
<tr>
<td>BNP Paribas</td>
</tr>
<tr>
<td>MUFG</td>
</tr>
<tr>
<td>SMFG</td>
</tr>
<tr>
<td>Barclays</td>
</tr>
<tr>
<td>Mizuho FG</td>
</tr>
<tr>
<td>Deutsche Bank</td>
</tr>
</tbody>
</table>

*1. Excludes treasury shares and fractional shares.

Common Equity Tier 1 Capital Ratio

<table>
<thead>
<tr>
<th>Company</th>
<th>Tier 1 Capital Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMFG</td>
<td>15</td>
</tr>
<tr>
<td>HSBC</td>
<td>15</td>
</tr>
<tr>
<td>Barclays</td>
<td>15</td>
</tr>
<tr>
<td>BNP Paribas</td>
<td>15</td>
</tr>
<tr>
<td>MUFG</td>
<td>15</td>
</tr>
<tr>
<td>Citigroup</td>
<td>15</td>
</tr>
<tr>
<td>J.P. Morgan</td>
<td>15</td>
</tr>
<tr>
<td>Bank of America</td>
<td>15</td>
</tr>
<tr>
<td>Deutsche Bank</td>
<td>15</td>
</tr>
</tbody>
</table>

Credit Ratings*2

<table>
<thead>
<tr>
<th>Rating</th>
<th>Name</th>
<th>Japanese firms</th>
<th>U.S. Firms</th>
<th>European Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td>MUFG</td>
<td>SMFG</td>
<td>Mizuho FG</td>
<td></td>
</tr>
<tr>
<td>A2</td>
<td>JP Morgan</td>
<td>Bank of America</td>
<td>HSBC</td>
<td></td>
</tr>
<tr>
<td>A3</td>
<td>Citigroup</td>
<td>BNP Paribas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Baa1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Baa2</td>
<td></td>
<td>Barclays</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Baa3</td>
<td></td>
<td>Deutsche Bank</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*1. Overseas competitors used for performance comparisons are European and U.S. firms subject to a G-SIB buffer (announced in 2020) of 1.5% or more.

*2. Moody’s Holding Company Ratings

Management Strategies and Performance

Ownership and Distribution of Shares*1

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>National and local governments</td>
<td>5.77%</td>
</tr>
<tr>
<td>Corporations</td>
<td>13.16%</td>
</tr>
<tr>
<td>Foreign institutions, etc...</td>
<td>29.51%</td>
</tr>
<tr>
<td>Individuals and others</td>
<td>33.90%</td>
</tr>
</tbody>
</table>

Main Subsidiaries and Affiliates (as of March 31, 2021)

Commercial Bank

- Mitsubishi UFJ Trust and Banking Corporation
- The Master Trust Bank of Japan, Ltd.
- MUFG Investor Services Holdings Limited
- Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A.

Trust Bank

- Mitsubishi UFJ Trust and Banking Corporation
- The Master Trust Bank of Japan, Ltd.
- MUFG Investor Services Holdings Limited
- Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A.

Securities

- Mitsubishi UFJ Securities Holdings Co., Ltd.
- Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
- auKabum! Securities Co., Ltd.
- Mitsubishi UFJ Trust International Limited
- MUFG Securities (Canada), Ltd.
- MUFG Securities EMEA plc
- MUFG Securities Asia Limited
- Morgan Stanley MUFG Securities Co., Ltd.
- Morgan Stanley

Credit Cards / Consumer Finance / Installment Credit

- Mitsubishi UFJ NECOS Co., Ltd.
- AOCOM CO., LTD.
- JACCS CO., LTD.

Website

For more detailed information, please refer to our website:

URL: https://www.mufg.jp/ (Japanese)
URL: https://www.mufg.co.uk/ (English)