

# Corporate Social Responsibility Report 2008

A collage of 20 photographs arranged in a grid-like fashion, representing various aspects of sustainable development. The images include: a sunset over a body of water; a wide, flat landscape under a hazy sky; a group of people in a meeting; a group of people sitting at a table; a white van parked in front of a building; a modern building with solar panels; a view of the Earth from space; a large group of people at an outdoor event; a field of wind turbines; a woman in a uniform working at a desk; a sunset over a body of water; a group of people on a stage; a young boy in a green shirt; a colorful drawing of a village; a person in a white shirt kicking a soccer ball; a close-up of green leaves; a view of a town from a hill; a large group of people in a meeting; and a row of colorful, decorated trucks parked in a lot.



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## Core Report (this publication)

Please also see the Supplementary Report (online only).

The MUFG Group is a comprehensive financial group with Mitsubishi UFJ Financial Group, Inc. (MUFG) as the holding company.

## From the Editorial Team

The MUFG Group launched the Group's first CSR Report in fiscal 2006 and continues to make improvements in information disclosure relating to its CSR initiatives. The 2008 edition is the third such report, and this year we are trying a new approach by publishing two sections:

- Core Report (this publication), which reports on the most material items
- Supplementary Report (online only), which provides more information on other initiatives and detailed data

We see this CSR Report as part of the entire continuous improvement cycle for management, and here we describe to our stakeholders not only our principles and results of activities, but also indicate future directions and issues. By arranging our future activities to reflect the opinions and expectations we have received as feedback, we will work to raise the quality of our CSR management with the aim of being a financial group that can contribute to society in ever more profound and enduring ways.

CSR Report:

[URL]www.muftg.jp/english/csr/csrreport/

- Please see our Annual Report for more details regarding an overview of management, as well as finances and services.

Annual Report:

[URL]www.muftg.jp/english/ir/annualreport/



Annual Report 2008

## Selection Process for Report Content

Topics were selected for this report based on the following criteria: (1) items of greatest interest to stakeholders as a whole, based on reader comments and our own various policies, and (2) our own judgment as to which items are most relevant for the businesses described.

**Scope of Reporting:** Generally, this report covers the following four core Group companies (non-consolidated):

- Mitsubishi UFJ Financial Group, Inc. (MUFG)
- The Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU)
- Mitsubishi UFJ Trust and Banking Corporation (MUTB)
- Mitsubishi UFJ Securities Co., Ltd. (MUS)

Unless clearly stated otherwise, the report covers the activities of the four Group companies stated above. Where the activities described relate to a specific company the following symbols are used:



Please note that the activities of Mitsubishi UFJ NICOS Co., Ltd. and Mitsubishi UFJ Lease & Finance Company Limited are covered on pages 17 and 18.

**Period Covered:** This report describes activities and achievements in fiscal 2007 (April 2007 to March 2008). In some cases, reporting covers activities before or after fiscal 2007.

**Reference Guidelines:** In composing this report, we referred to the internationally accepted Sustainability Reporting Guidelines 2006 (G3) of the Global Reporting Initiative (GRI). A GRI content index matching the GRI guidelines with corresponding sections in this report can be viewed in the Supplementary Report on our website.

**Previous publication:** December 2007. **This publication:** December 2008. **Next publication:** December 2009.

## CSR at MUFG Group

### A Focus on Quality

The MUFG Group has declared its message to the world as "Quality for You," with a management emphasis on quality. We believe that providing superior quality in terms of service, reliability, and global coverage will result in more profound and enduring contributions to society.

## Quality for You

**No. 1 Service • No. 1 Reliability • No. 1 Global Coverage**

"Quality for You" means that by providing high-quality service we aspire to help improve the quality of life of individual customers, and the quality of each corporate customer. The "You" expresses the basic stance of MUFG Group that we would like to contribute not only to the development of our individual customers but also communities and society.

### UN Global Compact

MUFG has endorsed the United Nations Global Compact. A voluntary code of conduct advocated in 1999 by the then-Secretary-General of the United Nations, Kofi Annan, it calls for corporations and organizations around the world to work within their respective spheres of influence to support internationally-recognized standards for human rights, labor, the environment, and anti-corruption, and to act based on them. MUFG Group, as a financial group that upholds the philosophy of contributing to the realization of a sustainable society, endorses the principles of the Global Compact, and works to fulfill its duties as a global citizen.



### The Ten Principles of the United Nations Global Compact

#### Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and  
Principle 2: make sure that they are not complicit in human rights abuses.

#### Labour Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;  
Principle 4: the elimination of all forms of forced and compulsory labour;  
Principle 5: the effective abolition of child labour; and  
Principle 6: the elimination of discrimination in respect of employment and occupation.

#### Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;  
Principle 8: undertake initiatives to promote greater environmental responsibility; and  
Principle 9: encourage the development and diffusion of environmentally friendly technologies.

#### Anti-Corruption

Principle 10: Businesses should work against all forms of corruption, including extortion and bribery.

# Message from the CEO

## **Aware of the important role of the Mitsubishi UFJ Financial Group as a comprehensive financial group, we are working to intensify our environmental initiatives.**

I am pleased to present to you the Group's "Corporate Social Responsibility Report 2008," which describes our principles and initiatives relating to CSR. I invite you to review its contents.

In the larger context, it is worth noting that this is the initial year of the first commitment period for countries under the Kyoto Protocol, and the G8 Toyako Summit in Hokkaido this past summer discussed the issue of global warming as one of its main themes.

Global environmental problems are among the most critical issues facing humanity today. Humanity has made many achievements in its history, but it is now facing major obstacles. Earnest efforts are being made around the world to overcome them, but clearing these obstacles will be a challenge for the wisdom of each and every one of us.

The Group's Management Philosophy, adopted when the Group was first created, includes the words "We will contribute to progress toward a sustainable society by assisting with development in the areas in which we operate and conducting our business activities with consideration for the environment." In March 2007 we adopted global environmental issues as one of the Group's CSR Priority Themes, and we have been making progress on this theme. Conscious of the rapidly growing threats to the global environment, and knowing how important it is that all employees share our sense of urgency, in June 2008 we also adopted the MUFG Environmental Action Policy in order to promote more tangible actions. Based on this Policy and aware of the important role of the MUFG Group as a comprehensive financial group, we are now working to intensify our environmental initiatives.

## MUFG Overview

Mitsubishi UFJ Financial Group, Inc. <small>Established on April 2, 2001</small>					
Representative		Address		Capital	
President & CEO : Nobuo Kuroyanagi		7-1, Marunouchi 2-Chome, Chiyoda-ku, Tokyo, Japan		1,383 billion yen	
				<b>Employees (consolidated total): 123,000</b> <small>(Including locally-hired overseas, short-term contract, and temporary employees)</small>	

\* Mitsubishi UFJ Lease & Finance Company Limited is an affiliate accounted for under the equity method.  
(End of March 2008. The figures for capital of Mitsubishi UFJ Lease & Finance Company Limited are as of June 30, 2008.)



The essence of this Policy is our drive to deal with the environment through the world of finance, which is the core business of our Group companies.

Besides the activities we have already been conducting for some time — environment-related finance, initiatives to promote socially responsible investment (SRI), and emissions credit trading, for example — we will also make new efforts, like increasing our offerings of environment-related products for individual customers, and enhancing our comprehensive support for corporate clients that are seriously tackling the environment.

The business of the MUFG Group is built upon the support of many different stakeholders, including customers, shareholders, people in local communities, and many more. In the future, we will continue to broaden our CSR activities, so we look forward to your continued guidance and support in these efforts.



Nobuo Kuroyanagi  
President and CEO  
Mitsubishi UFJ Financial Group  
September 2008



# What CSR Means for MUFG Group



## Group's Management Philosophy

**The MUFG Group aspires to promote harmony and prosperity for all our stakeholders and to contribute to the realization of a sustainable society.**

### Group's Management Philosophy

1. We will respond promptly and accurately to the diverse needs of our customers around the world and seek to inspire their trust and confidence.
2. We will offer innovative and high-quality financial services by actively pursuing the cultivation of new business areas and developing new technologies.
3. We will comply strictly with all laws and regulations and conduct our business in a fair and transparent manner to gain the public's trust and confidence.
4. We will seek to inspire the trust of our shareholders by enhancing corporate value through continuous business development and appropriate risk management, and by disclosing corporate information in a timely and appropriate manner.
5. We will contribute to progress toward a sustainable society by assisting with development in the areas in which we operate and conducting our business activities with consideration for the environment.
6. We will provide the opportunities and work environment necessary for all employees to enhance their expertise and make full use of their abilities.

### CSR Activity Themes\*

Pursuing Peace of Mind and Security

Creating New Value

Restoring the Environment

Practicing Respect for People

\* The CSR Activity Themes are action-oriented expressions of the essential values embodied in the Group's Management Philosophy.



## CSR Priority Themes

**We recognize that the very existence of the MUFG Group is sustained by society as a whole and that we therefore have a duty to consider the key issues facing society. Thus, we have adopted "Addressing Global Environmental Issues" and "Nurturing Society's Next Generation" as the two priority themes for the entire Group.**

### CSR Priority Themes

#### Addressing Global Environmental Issues:

Address global warming, climate change, and other global environmental issues.

#### Nurturing Society's Next Generation:

Nurture society's next generation that addresses issues like global environmental problems and poverty on a global scale, as well as domestic problems in Japan such as low population growth, the aging of the population, and local or regional issues.

### Key Issues for Society

#### Key Global Issues

- Global environmental issues, as symbolized by advancing state of global warming, climate change
- Poverty and related issues (for example, hunger, labor, human rights, education)

#### Issues for Japanese Society

- Low birth rate, aging of population, related issues (for example, education, labor, lifestyles, care of the elderly)

#### Issues for Local Communities

- Issues for each community (for example, community, safety/security, education)



## MUFG Environmental Action Policy

Concerned about the world's worsening global environmental problems, in June 2008 MUFG Group companies adopted a policy to promote concrete actions to address these problems.

### MUFG Environmental Action Policy (Outline)

**MUFG views environmental issues with the utmost seriousness, and aims to help realize a sustainable society in which future generations can live with peace of mind.**

- I. We will dedicate our efforts to creating an environmentally conscious society through finance.
- II. We will work to reduce our own environmental impact and also focus on social contribution activities.

(For more details please see pages 7 and 8.)

**The MUFG Group aims to be a financial group that contributes to the realization of sustainable society, based on this Management Philosophy and this Policy.**

**Putting Strategic CSR into Practice  
based on Our Management Philosophy**



# **The MUFG Group Is Concerned about Global Environmental Issues. To Put Those Concerns into Action, We Created Our Policy to Promote Concrete Efforts for the Environment.**

This policy will make employees aware of the roles that we should play as a comprehensive financial group—as we work to strengthen our environmental initiatives in various ways, such as by offering products and services that are better for the environment.





## MUFG Environmental Action Policy

### **MUFG views environmental issues with the utmost seriousness, and aims to help realize a sustainable society in which future generations can live with peace of mind.**

- Environmental threats such as global warming, resource depletion, and pollution are increasing at an accelerating rate. In particular, in Asia, pollution of water, air, and soil is worsening.
- Environmental issues constitute an urgent problem requiring a unified approach from the entire world. It is essential that, in seeking solutions, we reexamine from an environmental perspective the patterns of our own lifestyles as well as society itself.
- MUFG gains support from customers and members of society around the world, and we therefore feel it is our duty to address environmental issues, which have a major impact on the lives of future generations. We will channel our full capabilities into working toward the benefit of the environment and future generations.
- We aim to fulfill society's expectations of us as a comprehensive financial group that exerts a wide-reaching influence on the environment and society through its capital flows, while working to achieve a sustainable society in which future generations can live with peace of mind. We will also endeavor to enhance the awareness of each individual Group employee, while taking initiatives to reduce our own environmental impact.

### **I. We will dedicate our efforts to creating an environmentally conscious society through finance.**

- We will provide products and services that reflect the concerns of individual customers in relation to the environment.
  - We will provide loans to support the installation of solar power generation systems.
  - Through our credit card operations, we will provide access to emission rights, which aid global warming prevention.
  - We will promote the spread of Socially Responsible Investment (SRI) funds, which contribute not only to the growth of customer assets but also the wellbeing of society and the planet as a whole.
- We will use our comprehensive financial capabilities to support the environmental initiatives of our corporate customers.
  - We will provide seamless support to customers as they advance environmental initiatives, involving the cooperation of companies with advanced environmental technology to provide consulting, business matching and fund procurement, and other services.
  - We will support the activities of companies that actively engage in initiatives to address environmental issues by developing and selling products such as SRI-type investment products, which invest in shares of companies associated with environmental measures, and by promoting SRI amongst our pension fund customers.
- We will actively promote initiatives overseas that take regional characteristics into account.
  - In Asia (particularly China), we will use the capabilities of Group companies to conduct Clean Development Mechanism (CDM) and other operations.
  - In the Americas and Europe, we will promote initiatives centered on the provision of finance in the fields of alternative energy and renewable energy.
- In addition to our approach based on the Equator Principles, we will further clarify our lending criteria from an environmental perspective, in order to contribute to the creation of an environmentally conscious society through our financial functions.
- We will leverage the comprehensive strengths of the Group, making use of our market intermediary functions to provide stable means for emissions reductions to more customers.
  - We will provide a range of services that increase the liquidity of emissions rights, which are created in CDM operations.
  - We will enhance our transaction base to allow the maintenance of cost transparency and liquidity.

### **II. We will work to reduce our own environmental impact and also focus on social contribution activities.**

- The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mitsubishi UFJ Trust and Banking Corporation, and Mitsubishi UFJ Securities Co., Ltd. have each set a target of a 25% reduction in emissions of CO<sub>2</sub> and other greenhouse gases from 2000 levels by 2012.
  - We will work to reduce our emissions of greenhouse gases, conducting measurements of data concerning the environmental burden at each of our locations, continuously operating and improving environmental management systems based on ISO14001, switching to environmentally friendly equipment, and adopting alternative energy, amongst other initiatives.
  - We will use emission rights to offset the carbon emissions of our head office and other main buildings.
- We will provide environmental burden measurement tools to Group employees and their families in order to increase their environmental awareness in relation to their own lifestyles.
- We will pursue environmental conservation initiatives such as tree planting by employees, environmental education support, and local contribution activities both in Japan and overseas.

# Thoughts of the environment have no borders.

**European Investment Banking Division (EIBD),  
Structured Finance Group has been at the forefront of developing  
new and creative solutions for wind power projects in the UK.**

Feature: BTMU

## **Britain's Fast-Growing Wind Power Generation**

In December 2007, the British Wind Energy Association (BWEA) made an announcement that the UK aims to construct enough offshore wind power generation facilities by 2020 to provide nearly a fifth of the UK's electricity, sufficient to power all of the homes in the country.<sup>1</sup> Europe is already recognized as the world leader in wind power generation and the UK in particular has been a growing market in recent years. In 2003 EIBD Structured Finance Group in BTMU's CIB unit<sup>2</sup> arranged the financing for the Crystal Rig Wind generation project, sponsored by Fred. Olsen Renewables, which was the first wind power project financing<sup>3</sup> in the country to be developed following the introduction of the new regulatory regime. Since then, the role of wind power generation in the UK has steadily increased.

## **Tackling the Risks of Wind Power**

The UK benefits from one of the world's largest wind resources, but as a business operation, wind power generation carries risks including the use of innovative technology, a exacting licensing process and environmental compliance. The most important issue, however, is accu-

rately forecasting the level of wind that can be converted into electrical energy. EIBD has been playing a leading role in the arrangement of project finance for wind power, a technology that is environmentally friendly and has a low level of CO<sub>2</sub> emissions.

BTMU-EIBD was appointed as a lead arranger of the Crystal Rig Wind Power Generation Project. In order to assess the reliability of the wind forecasts, anemometers were installed at the planned development site to obtain data on wind conditions for more than a year. Based on that data, EIBD analyzed the feasibility of the wind power project. The group also had meetings with Department of Trade and Industry<sup>4</sup> to confirm governmental support for the renewable subsidy scheme. The group's efforts were rewarded when the Crystal Rig project was given the go ahead by the Bank.

## **Behind the Gentle Breezes**

The project had to be structured to ensure successful operation even in the case of unexpected conditions such as less wind than anticipated. EIBD successfully structured the financing and appropriately shared risks among the project parties so that BTMU was confident





Crystal Rig Wind Farm

with the project's ability to perform and generate stable cash flows. With the behind the scenes work complete, in 2003 the 50MW<sup>5</sup> Crystal Rig project began construction and was able to start supplying electricity to the UK in 2004.

### From British Wind to the World

The Crystal Rig project became a model for project financing wind power generation farms in the UK. EIBD has subsequently arranged a number of other wind power projects, sponsored by Fred. Olsen Renewables, the great majority of projects sponsored by Falck Renewables and two notable portfolio financings; the Beaufort Wind Power Project, a portfolio of 15 wind farms co-sponsored by RWE and Renewable Energy Systems' cross-border European wind portfolio.

EIBD has taken on lead roles such as Facility Agent, Ar-

ranger and Financial Advisor and has expanded its activities into the Netherlands, France, Italy and Germany.

EIBD is also involved in arranging an offshore wind farm project at the estuary of the River Thames. BTMU is keen to contribute to the global development of renewable energy by its significant experience and knowledge of structured finance.

#### Remarks

1. The BWEA news release <http://www.bwea.com/media/news/071207.html>
2. BTMU's Corporate and Investment Banking (CIB) unit covers both corporate and investment banking and provides a variety of services of not only corporate finance but also investment products for private and institutional investors.
3. Project finance is the financing scheme that relies primarily on the cash flows from the project to repay the indebtedness rather than on collateral such as real estate or the credit worthiness of sponsors.
4. Renamed the Department for Business, Enterprise and Regulatory Reform in June 2007.
5. The Crystal Rig wind farm started its operation with 20 wind turbines. 5 more were added in 2007, which increased the total output to 62.5 MW. Located 40 kilometers east of Edinburgh, Crystal Rig is one of the largest onshore wind farms in Scotland.



### From the Frontlines

European Investment Banking Division (EIBD), Structured Finance Group

EIBD Structured Finance Group provides a wide range of services to arrange financing for natural resource and infrastructure projects in Europe, the Middle East, Africa, Russia and the Commonwealth of Independent States (CIS). Together with the global head of Structured Finance Division in Tokyo, EIBD is active globally and collaborates with CIB units in the U.S. and Asia.



# Emissions Credits for Everyone

**Emissions Credit Trust Group introduces emissions credits to customers using trust products.**

Feature: MUTB

## A Roadblock in the Search for Emissions Credits

MUTB had set voluntary environmental goals, striving to conserve energy and reduce waste. As part of this effort, in March 2007 we had reached a decision to use carbon offsets\* to reduce the net CO<sub>2</sub> emissions from our main office building to zero. We attempted to purchase credits to offset the 10,000 tons of CO<sub>2</sub> emitted from our main office building in fiscal 2006, but encountered some problems: No one would sell us the credits. At that time, emissions credits were only being traded in large lots. Our efforts were then driven by the conviction that a trading system could be created that would make it easier for everyone to buy credits.

## Using Trust Services for Small-Lot Emissions Credits Trading

From now on, we expect a growing number of companies like us will want to acquire emissions credits and contribute even a little to reducing CO<sub>2</sub> emissions and achieving the Kyoto Protocol targets. We realized that emissions credits could be traded in small lots of 1,000 tons if we used trust functions to handle emissions credits as beneficial trust interest certificates. Up until that time, the bottleneck when acquiring emissions credits was

that they were only being traded in large lots. In addition, administrative procedure and other procedures were very complicated. MUTB's emissions credit products clear the various problems. The system is easy to use since we handle the complicated procedure on behalf of our customers. We began the sale of small-lot emissions credits in December 2007, using credits from a greenhouse gas reduction project in South Korea.

## Emissions Credits Used at the Hokkaido Toyako Summit

Because our system is so easy to use, we were overwhelmed with inquiries from customers of various sizes in a variety of industries. The first 50,000 tons sold out right away, and the use of carbon offsets has since spread to offices, concerts, travel and other fields.

In line with Japan's "Team Minus 6%" initiative (a national program encouraging all sectors to help reach the country's Kyoto targets), the Rusutsu Resort, which hosted the International Media Center for the G8 Summit in Toyako, Hokkaido (July 2008), purchased emissions credits from us. These emissions credits originated from a wind power generation project in India, and were the first in Japan purchased by a tourism facility.





G8 Hokkaido Toyako Summit International Media Center at Rusutsu Resort

Feature: MUTB

### Products with Emissions Credits Win Consumers' Hearts

While we were promoting sales of small-lot emissions credits, the supermarket and convenience store operator Seven and i Holdings Co. Ltd. approached us with a novel idea. They wanted to produce eco-bags with emissions credits, using profits from each sale to pay for the credits. Those bags proved popular beyond expectations. They allow customers to make small contributions toward reducing CO<sub>2</sub> emissions. Breaking the emissions credits down into small lots is a really good idea. The emissions credits provided by MUTB are now being transformed into diverse environmental products that contribute to CO<sub>2</sub> emissions reductions utilizing a variety of ideas, such as emissions credits in recycling businesses that offset CO<sub>2</sub> emissions when office furniture is disposed, credit cards that come with the option of exchanging points for emission credits, and the leasing of corporate vehicles and office equipment packaged with emissions credits. We are

striving to provide a stable supply of credits to meet all these different types of needs, and plan to provide the best solutions for customers.

### Contributing to the Environment by Introducing Emissions Credits

"We are helping our customers give form to their concern for the environment. You might say that introducing emissions credits is what we ourselves can do to help the global environment," says Shinya Matsuzaki, the Chief Manager of the Structured Finance Division I. At MUTB, we believe that we are contributing to the development of a sustainable society by providing products unique to trust banks, and by introducing these products onto the market.

#### ★ Carbon Offsets

First, efforts are made to reduce, to the greatest possible extent, the CO<sub>2</sub> emissions that inevitably arise from daily living and business activities. When further reductions prove difficult, one's own emissions can be offset with reductions gained by investing in greenhouse gas reduction activities elsewhere and through the use of emissions credits.



### From the Frontlines

Structured Finance Division I

A group for emissions credits trust was founded in our division in February 2008 amid rising interest in emissions credits. The group, which utilizes trust products to provide emissions credits to corporate customers, presently comprises ten employees engaged in the formation of emissions credits trusts and in marketing activities. We support customers who give consideration to the global environment by using emissions credits.





# Bringing Back Blue Skies over Manila

**Our Clean Energy Finance (CEF) Committee takes on a challenging CDM project to help the people of the Philippines.**

Feature: MUS



## An "SOS" from the Philippine Government

The air pollution in Manila is serious enough to endanger human health. One source of pollution is the large fleet of shared taxis, called "jeepneys," operating on the streets. While jeepneys are essential for people to get around and have become a fixture of the Manila landscape, their diesel engines—in many cases over 20 years old—put out huge amounts of exhaust and air pollutants. But because jeepneys are not recognized by the government as public transportation, they are not regulated.

Mitsubishi UFJ Securities CDM consultant Atsuko Nuibe says, "Manila has 60,000 jeepneys. To protect public health, everyone would like them to use newer, cleaner engines, but the lack of financing was a serious roadblock."

## New Engines for Sixty Thousand Jeepneys

A study by Nuibe found that putting the latest engines in the jeepneys would not only reduce air pollution, but could also cut fuel costs and carbon dioxide (CO<sub>2</sub>) emissions in half. Unfortunately, the price of each new engine is about 750,000 yen, and replacing sixty thousand engines would require enormous financing. The government had no budget for this and the jeepney drivers (whose av-

erage monthly income is about 20,000 yen) could not afford it either. The goal seemed impossible to reach. Still, the new engines would have lower costs for fuel and maintenance, which could save each driver 300,000 yen per year. There would be benefits for everyone.

## If We Used Programmatic CDM...

The reduction in CO<sub>2</sub> emissions from upgrading a single jeepney would be small, and would not qualify as a CDM project under existing guidelines. But perhaps it could be pursued through the new "programmatic CDM" framework that supports the establishment and expansion of new systems that contribute to reducing greenhouse gas emissions. However, this approach—even if it could lead to a number of new programs improving the situation throughout the city and country—still raised many questions, including who would run it and how, and would the United Nations approve this activity as an official CDM project?

## Step One: Replace 3,500 Engines

It occurred to MUS that it could help jump-start the program by mobilizing 2.5 billion yen in government funding for loans to jeepney drivers to replace 3,500 engines in the



Shared Taxis Called "Jeepneys" (Manila, Philippines)

Feature: MUS

first year. This would result in the creation of 30,000 tons of emissions credits over the course of one year. In the second year, the government budget allocation of 2.5 billion yen would be supplemented by the proceeds from sales of the first year's emissions credits plus repayments on the first year's loans, and would allow for loans to drivers to replace an additional 4,200 engines. The process would be repeated in subsequent years, with proceeds from emissions credit sales and loan repayment funds helping finance the replacement of even more new engines. Our CEF Committee made a proposal to the Philippines' Ministry of the Environment and Natural Resources (DENR) that the Ministry be the leader of the project and government funds provide an initial 5 billion yen. While the budget has not yet been secured, the Ministry has promised to work toward realizing this project. There is light at the end of the tunnel, but major challenges remain.

### Doing What Only a Securities Company Can Do

Raising funds can be difficult. But the MUS team's know-how about finance and venture company development helped it come up with many ideas and identify many possibilities. The CEF Committee has a tough road to travel, and its journey has just begun. But if it achieves its vision, the result will be not only reduced CO<sub>2</sub> emissions, but also new life to the city and the whole country. One of the CEF Committee members said, "We hope the world will follow where this project goes in the future. We want to make full use of the resources of our financial group to contribute to society." Mitsubishi UFJ Securities plans to continue to harness and encourage the passion of each of its employees.

The Clean Development Mechanism (CDM) is a system under the Kyoto Protocol that works to reduce greenhouse gas emissions while promoting local development. Under the CDM, the United Nations allocates "emission reduction certificates" to developed countries, based on reductions in CO<sub>2</sub> emissions in developing countries achieved with financial and technological assistance provided by the developed country. Mitsubishi UFJ Securities ranks second in the world in developing UN-approved CDM methodologies, and has provided consulting services for 94 projects as of July 2008.



### From the Frontlines

Mari Yoshitaka, Vice-chairman of the Clean Energy Finance (CEF) Committee (Right) Atsuko Nuike, Senior Consultant (Left)

The CEF Committee, launched in February 2001, provides consulting services around the world. It is a unique group, with women making up about half the staff, and with members that have diverse nationalities and areas of expertise. We work to meet the needs of our domestic and international clients, all in keeping with the committee's founding vision to assist sustainable development in developing countries.





### **SRI – Spreading in the World**

Socially responsible investment (SRI) is a new investment style that uses not only financial investment criteria like growth and profitability when considering investments, but also criteria like initiatives aimed at tackling environmental and social problems. SRI is widely recognized in the U.S. and Europe, with the market having already surpassed the 270 trillion yen mark in the U.S. and the 150 trillion yen mark in Europe. The SRI market in Japan is still only approximately 800 billion yen, but the level of interest is on the rise. By growing the SRI market, the MUFG Group wants to work with its customers towards creating a sustainable society.

### **Rising Japanese Interest in SRI**

If there is a high level of interest in SRI, why has the market not expanded more? One reason is the fact that it has been difficult for investors to see the connection between environmental and social initiatives and corporate performance. At MUTB, we focused on how to best evaluate the companies in which we would potentially invest SRI funds, embarked on a study to determine which aspects of CSR activities have a particularly high impact on corporate profits, and analyzed how these elements would affect future

earnings. In addition to making outlook from a financial standpoint, we also judged economic value from a long-term perspective. In today's world, a company's valuation is affected by its approach to CSR, and CSR activities have an impact on corporate earnings. Therefore, consideration of CSR is one part of our overall strategy for achieving higher investment returns.

### **Pension Funds Hold the Key to Expanding SRI**

Pension funds hold large amounts of money and are therefore extremely influential. However, SRI is still in the transition phase. There is no guarantee that companies with strong CSR programs will enjoy growth in economic value, which has made it difficult to reduce the concern among investors that SRI will violate the fiduciary responsibility of pension funds. MUTB analyzed the problem and asked a university professor for a statement of opinion concerning the matter. Based on this, we came to the conclusion, from a legal perspective, that if an SRI fund can compete economically with other investment methods it is not in violation of fiduciary responsibility. This eliminated one of the major hurdles to the spread of SRI. MUTB's SRI fund for pension fund plans launched in June



# Investment Will Power Environmental and Social Change

The MUFG Group strives to spread SRI.

2006 has grown in two years to reach approximately 22.7 billion yen (as of July 31, 2008).

## Expansion of SRI Investment Trusts

In July 2008, BTMU, MUTB, MUS, and kabu.com Securities Co., Ltd. launched a new SRI investment trust that focuses on dealing with environmental problems, thereby expanding the lineup of SRI funds. In November 2007, another of our SRI investment trusts received the second prize of the Work-Life Balance Award from the Japan Productivity Center for Socio-Economic Development, recognizing the fund's encouragement of work-life balance, an important social issue. That investment trust invests in companies that allow employees to choose a diverse and flexible working style to maintain a good work-life balance. Companies that treat employees well attract talented people. This will in turn have a positive effect on profits over the long term,

and also support working women. The MUFG Group hopes this type of positive cycle emerges.

## Our Responsibility as a Premier Comprehensive Global Financial Group

The world is now faced with a number of social and environmental problems, including global warming, aging populations and low birth rates in some countries, and surging demand for both natural resources and food. SRI will certainly not solve every problem, but as financial professionals we should be aware of the problems and do what we can to resolve them. The MUFG Group believes that investment can drive social change, and wants as many people as possible to know about SRI. This is the MUFG Group's hope and also its social responsibility as a comprehensive financial group. We will continue to work together as a Group to spread SRI.



### From the Frontlines

Project Team to Promote SRI Funds

Our team convened members from the Group's holding company, bank, trust and bank, securities company and asset management sales company to study strategies for the Group to work together to spread SRI. This Team was pivotal to the planning process for a new SRI investment trust launched in July 2008. In advance of the fund's launch, we produced booklets and DVDs that explain SRI in simple language and distributed them to all branch offices.



## Mitsubishi UFJ NICOS Co., Ltd.

# The MUFG Card is Environmentally-friendly throughout Membership Cycle

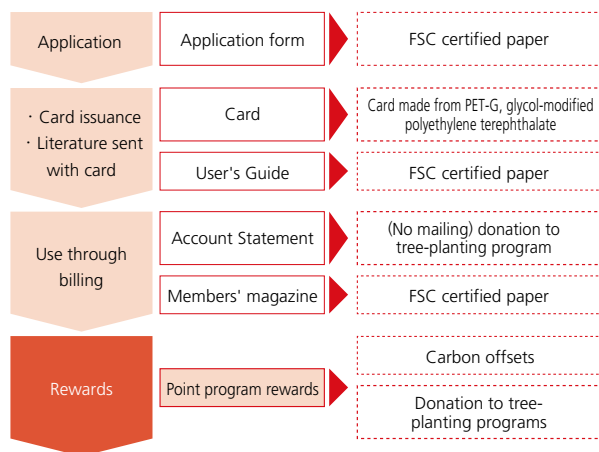


At Mitsubishi UFJ NICOS, we launched a card that allows users to feel that they are contributing to the environment each time they use it. Application forms and member magazines are made of paper certified by the FSC (Forest Stewardship Council) and carbon offsets are included in the list of rewards for which points can be exchanged.

### Design Based on Growing Environmental Awareness

The MUFG Card was launched in July 2008 in conjunction with the start of the Kyoto Protocol commitment period as well as the G8 Hokkaido Toyako Summit where the world focused its attention on host country Japan's environmental policies. In addition to offering "safety, relief and high quality" through MUFG's brand strength, the MUFG Card is environmentally-friendly throughout the entire life of the card spanning from application, card issuance, account statements, to point rewards.

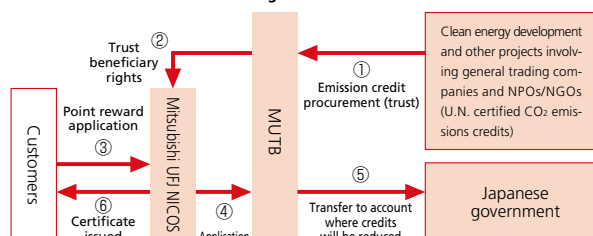
#### MUFG Card's ECO Activities



### Environmentally-Friendly through Entire Card Cycle

The MUFG card is made of PET-G (glycol-modified polyethylene terephthalate) which emits no chlorine gas when incinerated. Application forms, the user's guide, and the membership magazine are made of FSC-certified paper, and the cost reductions stemming from the shift to paperless account statements are automatically donated to tree-planting programs. Additionally, members are able to select from a variety of point reward options, including personal carbon offsets and donations to tree-planting programs.

#### Overview of Carbon Offset Program



### Focus on Customers' Sense of Helping the Environment

Credit cards made of PET-G plastic and members' magazines using FSC-certified paper were in use previously, but no card products were environmentally-friendly throughout the life of the card, from membership through points exchanged for rewards. When designing the MUFG Card, we made sure that the product contents were easy to understand, that it would be easy to participate in programs, and that the service would make it easy for customers to feel that they were contributing to the environment. When a customer chooses to exchange points for carbon offsets, we sends an "emissions reduction certificate," which provides proof that the emissions credits have been transferred, to give the customer a true sense of contribution. Going forward, Mitsubishi UFJ NICOS plans to use this scheme for other cards so that it becomes a new standard for the company.

#### From the Frontlines



New Brand Promotion Project Team

A lively debate took place during the design phase for the MUFG Card. Among other things, we believed that providing customers with a small token (such as the small green feather given to those who donate to the Green Fund program of the National Land Afforestation Promotion Organization of Japan) to represent their happiness about their contribution would reassure them and build loyalty to the program. When it comes to environmental initiatives, the important thing is to sustain them. In this respect, the strongest feature of the MUFG Card is that it allows customers to contribute to environmental protection by simply using the card. We want to continue working with clients to protect the environment and conserve natural resources.

## Mitsubishi UFJ Lease & Finance Company Limited

# ESCO Projects: Comprehensive Services That Help Conserve Energy and Reduce CO<sub>2</sub> Emissions

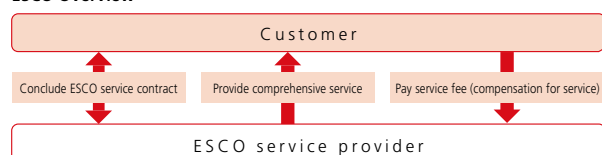
ESCOs provide total solutions that result in overall energy conservation, from facility renovation to fund procurement and maintenance and management of equipment. They resolve customers' problems and global-scale problems at the same time.



### ESCO Projects Reduce Energy Consumption and Costs

An ESCO (energy service company) is a business that upgrades office buildings, hotels, factories, public facilities and other properties that consume large amounts of energy, in order to reduce energy consumption, CO<sub>2</sub> emissions, and costs. The capital investment necessary to reduce energy consumption is made using the ESCO's funds, and the customer repays the ESCO using savings from the higher energy efficiency after the upgrades. This arrangement enables the client to avoid a substantial portion of the initial high cost of upgrades. The ESCO guarantees that the upgrades will reduce the amount of energy consumed. In 2003, Mitsubishi UFJ Lease & Finance began full-fledged ESCO operations and continues to work actively in this area as a means of simultaneously conserving energy and reducing CO<sub>2</sub> emissions.

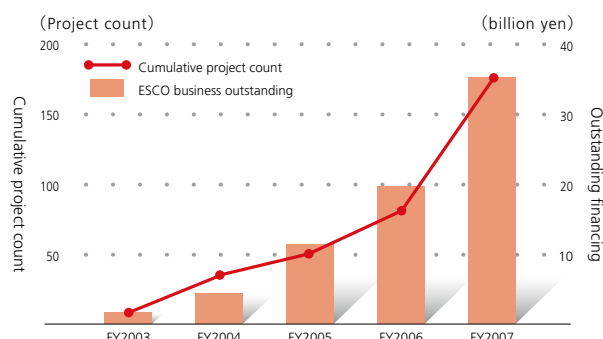
#### ESCO Overview



### Using Our Experience to Match Customers with the Right ESCO

One key feature of Mitsubishi UFJ Lease & Finance's ESCO operations is that it creates alliances with ESCO service providers who are best suited to help clients, according to their specific industry and size. The application procedures and other steps necessary to receive government subsidies require specific expertise. With more than 200 projects under our belt, we are able to help clients throughout the entire process—from planning, to upgrade work, maintenance and management—helping them increase their energy efficiency and reduce costs. In the case of Takayama Green Hotel in Gifu Prefecture, one-third of the upgrade costs were covered by government subsidies, while energy consumption was reduced by approximately 20%, based on a thorough study of how the upgrade would improve energy efficiency.

#### ESCO Business Track Record



### Working Closely with Customers

For projects already implemented, we continue to work with customers to make further energy conservation improvements, by regularly verifying the energy savings and providing advice as necessary. Furthermore, in July 2008 we created the Global Support Center for Energy Saving, which established a system to provide ESCO services to overseas production bases of Japanese companies as well as securitization of emissions credits earned from the reduction in greenhouse gas emissions from ESCO services, and will provide a full lineup of support. Going forward, Mitsubishi UFJ Lease & Finance will continue to provide services to customers that closely match their individual needs.

#### From the Frontlines



**Kazuhiko Hayama**  
 General Manager,  
 Eco-Finance Department

The first commitment period under the Kyoto Protocol began in 2008, and the issue of global warming was a key topic this summer at the G8 Summit in Toyako, Hokkaido. As the prices of natural resources and energy continue to rise, energy conservation and greenhouse gas emissions reductions are pressing issues for companies, in terms of both CSR and corporate value. At Mitsubishi UFJ Lease & Finance, we will continue to apply our expertise in the areas of leasing and finance and engage in a diverse range of environmental businesses in order to help create a more prosperous, low-carbon society.

# We Are Raising Our Corporate Value and Enhancing Communications with Customers in Our Quest to Become a Premier and Comprehensive Global Financial Group.

## Report of Activities 1

### Becoming a Premier and Comprehensive Global Financial Group

MUFG

#### ● Raising Corporate Value

The MUFG Group takes a medium and long-term perspective on enhancing its corporate value, which it builds through management strategies aimed at boosting profitability and fortifying its financial base and through proactive communication with shareholders.

Several steps were taken to fortify the Group's overall strength in fiscal 2007, including making 100% subsidiaries of Mitsubishi UFJ Lease & Finance Company Limited, Mitsubishi UFJ NICOS Co., Ltd., and Mitsubishi UFJ Securities Co., Ltd. (MUS). The two core elements in our drive to be a premier and comprehensive global financial group are the close collaboration within the Group and our service, reliability, and global coverage, with the strong support of our shareholders.

#### ● Four Key Strategies to Enhance Corporate Value

1. Execute growth strategies

2. Strengthen compliance

3. Conduct effective asset management

4. Strengthen the MUFG brand

These strategies are aimed at establishing a business model that meets customer needs and is responsive to changes in the operating environment.

#### ● Financial Foundations Remain Solid

Shareholders may be concerned about declining profits due to financial market turmoil, losses relating to the subprime loan crisis, and so on, but it is important to note that our financial base remains firm, with a disclosed claim ratio of 1.15%, consolidated capital ratio of 11.19%, and a Tier 1<sup>1</sup> ratio of 7.60% (all figures as at March 31, 2008).

For further details, please see our web page.

[URL] [www.mufg.jp/english/ir/fs/](http://www.mufg.jp/english/ir/fs/)

1: Tier 1 capital is a fundamental category of shareholders' equity encompassing capital stock, capital surplus, retained earnings, and other capital.

## Report of Activities 2

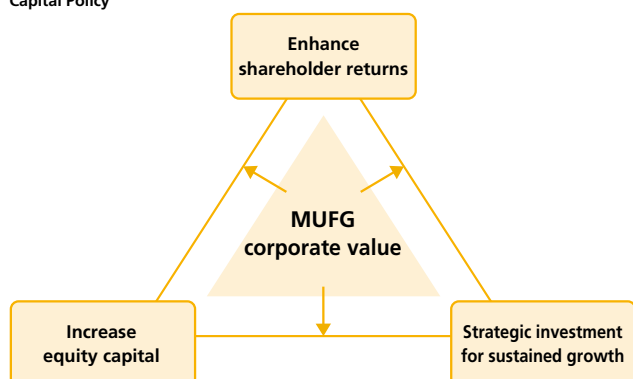
### Seeking Balanced Asset Management

MUFG

#### ● Effective Asset Management

In our aim to raise corporate value, our asset management emphasizes maintaining balance between increasing equity capital, enhancing shareholder returns, and strategic investment for sustained growth.

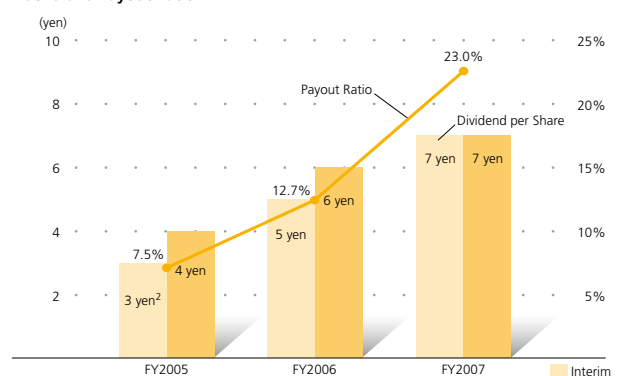
Capital Policy



#### ● Attaining a Dividend Payout Ratio Above 20%

Our dividend policy is to continuously increase dividend payments with the aim of raising the dividend payout ratio to above 20% of net income. Investments for future growth will be prudently examined to fully consider potential risk and return.

Dividend and Payout Ratio



2: The FY2005 interim dividend was paid by the former Mitsubishi Tokyo Financial Group. Dividend amounts have been corrected to reflect the stock split executed on September 30, 2007.



## Report of Activities 3

## Building Good Relations with Shareholders and Investors

MUFG

## ● Basic Stance on Investor Relations (IR)

In recent years, in addition to investor protection, the quality and appropriateness of information disclosure has become increasingly important. The MUFG Group seeks to provide fair and prompt disclosure of accurate information regarding its financial condition, business strategy, and other matters to the market, and to assess and reflect market perception of our Group in its management processes with the ultimate goal of improving shareholder value.

## ● Wide-Ranging and Proactive IR

To receive and reflect the views of all our shareholders in our business activities, we conscientiously supply extensive information at our results briefings, meet with domestic and foreign institutional investors, and conduct various IR activities, including responding to individual information requests, issuing IR and disclosure reports for individual investors, and providing constant information disclosure on our IR web site.



The MUFG web site  
The MUFG web site has been highly lauded and has received awards of excellence from three independent assessment agencies.  
[URL]www.mufg.jp/


**The Voice of Stakeholders** Katsuhito Sasajima, Executive Director, Japanese Equity Research, JPMorgan Securities Japan Co., Ltd.

Banks have had a prominent presence in and exerted substantial influence on societies and economies in every era of modern civilization. The Mitsubishi UFJ Financial Group's operating scope, functions, and network have made it a representative financial institution of Japan, and its behavior is under constant observation from both inside and outside the country. I believe the MUFG Group has a responsibility to be a leader and participate in problem solving not just for economic and financial issues, such as the subprime loan crisis in the United States, but also for issues in a whole range of other areas, including environmental issues such as global warming and social issues such as welfare and employment. I expect the MUFG Group to improve its management quality and raise its corporate value by applying the communication and check functions of the market and astutely responding to modern concepts of social responsibility.

## Report of Activities 4

## Aiming to Attract Individual Investors

MUFG

## ● Reduced Stock Investment Unit

We are aiming to attract more shareholders, including individuals, with the goal of raising corporate value over the medium and long term. On September 30, 2007, the MUFG Group implemented a thousand-to-one split for each share of common stock and initiated a stock investment system of 100 shares per unit to reduce the minimum investment unit to 10% of the previous level.

## ● Enhancing IR Activities for Individual Investors

One of the goals of the MUFG Group's IR activities is to increase understanding of its operations and receive the support of as many people as possible. To that end, in June 2007, the Group conducted seminars for individual investors in Tokyo, Nagoya, and Osaka, becoming the first megabank to hold seminars catered specifically to that group in Japan. We also participated in several other events aimed at individual investors, including the Marunouchi Career Academy presented by Nikkei Inc. and the TSE IR Festa presented by the Tokyo Stock Exchange, Inc.

## ● First Megabank to Introduce a Shareholder Benefit Program

We launched the MUFG Shareholder Club in January 2008 as a shareholder benefit program intended to promote longer-term holding of the Group's shares through preferential fees, preferential interest rates on time deposits, member-only products, and other preferential services that take advantage of the combined capabilities of the Group companies.

Over 1,000 investors  
visited the MUFG booth.



Seminars for individual investors



TSE IR Festa

# Our Services Put Customers First and Reflect Customer Opinions and Expectations.

## Report of Activities 1

### Improving Customer Satisfaction

MUFG

#### ● Customer Satisfaction Surveys

The MUFG Group companies conduct frequent customer satisfaction surveys with the aim of incorporating feedback into product development and service improvement to enhance the convenience of branches and services.

#### ● Bank of Tokyo-Mitsubishi UFJ

In a survey conducted in March 2008, over 60% of respondents indicated they were "satisfied" or "somewhat satisfied" overall with BTMU. The bank received high scores for reliability and customer approach and is working to improve areas where customers indicated low satisfaction.

#### ● Mitsubishi UFJ Trust and Banking Corporation

In MUTB's second survey, conducted in September 2007, approximately 65% of respondents indicated that they were either "satisfied" or "somewhat satisfied" overall with MUTB. However, the large number of "neither satisfied nor unsatisfied" and "somewhat unsatisfied" responses stood out in the categories of "employee ability to provide solutions," and "deposit interest rates." The company is implementing measures including holding employee training seminars led by external experts, and conducting special campaigns to improve customer satisfaction in those areas as well as in its overall rating.

#### ● Mitsubishi UFJ Securities

A survey by MUS in September 2007 revealed a decline in customer satisfaction with employees' telephone manners. MUFG companies view customer assessments with great seriousness, and MUS responded by taking steps to boost employees' telephone handling, including the display of posters on telephone etiquette. In addition, Customer Support, which has the most extensive contact with customers, took several steps to further enhance and ensure uniform quality in its telephone services. Measures included fortifying each operator's service capabilities to enable faster and more accurate response to customer inquiries and initiating a telephone monitoring system.



#### The Voice of Stakeholders

Minako Ohishi, Consumer Advisor, Nippon Association of Consumer Specialists

I believe financial institutions bear some responsibility for creating a sense among people and their families of looking forward to old age. In putting the customer first approach into practice, I would very much like all employees to participate in our training courses that help them understand and be supportive of sufferers of Alzheimer's and other cognitive diseases. I would also like to see more services, like protection of advance payments for seniors' care facilities, pension plans for people with disabilities, and scholarship programs.



## Report of Activities 2

### Putting the "Customer First" Approach into Practice

BTMU MUTB

An important part of our operations is creating systems to improve our services by reflecting the opinions of customers and employees who interact with them. BTMU's Customer Interest Protection Management Committee creates systems to incorporate improvements in response to customer opinions and complaints. BTMU's Customer Satisfaction(CS) Promotion Conference, attended by the company president, headquarters department heads, and branch representatives, meets regularly to discuss measures to enhance customer and employee satisfaction. Statements made at committee meetings are generally posted on the company intranet for viewing by all em-

ployees. In fiscal 2007, committee activities included introducing positive examples of customer and employee satisfaction from branches in Japan and around the world. MUTB is engaged in similar activities through its Customer Satisfaction Improvement Committee.



Customer Satisfaction(CS) Promotion Conference

## Report of Activities 3

## Putting Our Customer First Services into Practice

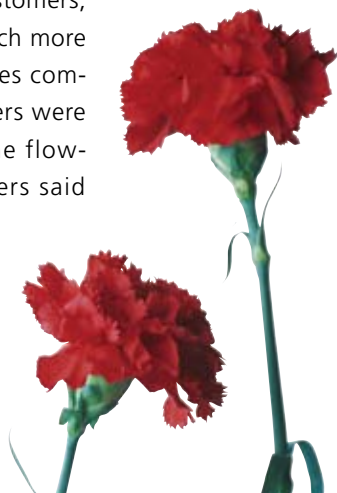
BTMU

## ● The "Ten Commitments to Our Customers"

In August 2007, BTMU announced its "Ten Commitments to Our Customers" with the aims of guiding employees to consider the customer's point of view to offer even higher-quality services and ensuring full awareness of our principle of protecting customers. BTMU uses group trainings and a variety of other approaches to incorporate our principles of "customer first" and customer protection into the everyday activities of our employees—all with the aim of raising customer satisfaction.

## ● Mother's Day and Customer Appreciation Campaigns

As part of activities to promote awareness of the customer first principle, nearly all of BTMU's branch offices participated in a special Mother's Day campaign in which employees presented carnations to customers. The campaign's main objective was to convey our continuous appreciation to customers, but employees learned much more from the activity. Employees commented that "the customers were really happy to receive the flowers," and "many customers said they appreciated the campaign." Our employees were moved as well, with several saying "it made me think again about the meaning of 'customer first'."



Customers appreciated the flowers, and staff enjoyed the chance to express their appreciation to customers. The spirit of gratitude was everywhere.



## From the Frontlines

**Miharu Nawa**, Financial Planning Department,  
Sakae Machi Branch, BTMU

All of my customers are special and unique. I start each consultation by very consciously listening for what the customer is focusing on. When a customer selects a financial product, it's a reflection of that person's life in the form of an "investment policy." I need to get to know the customer and build a relationship of trust before I can recommend a product or service. It gives me great gratification when customers say to me "I'll come back again," "Let me know when you have new information," or "Thank you for your help last time."



## Report of Activities 4

## All Employees Acting to Raise Customer Satisfaction

BTMU MUTB

BTMU and MUTB place Customer Opinion Cards in the lobbies and other locations of their sales branch offices to encourage customers to communicate their opinions and needs. Whenever possible, the branches respond promptly on their own, using their Customer Satisfaction Budget if costs are incurred. Recent examples include the furnishing of seats and baggage stands for elderly customers at one branch, and the installation of non-slip flooring, responding to a customer's concern that the floor was slippery on rainy days. After improvements are implemented, posters communicate the results and thank customers for their input. To implement the customer first

principles, the headquarters collects and evaluates customers' input at sales branch offices as well as those received at the headquarters and Retail Banking Customer Service Center in order to incorporate the input into further improvements in employee attitudes toward customers, products and services. We will continue to advance our efforts to achieve customer satisfaction with the cooperation of all employees.



# We Listen to Employees and Improve Our Work Environments. The Goal: More Fulfilling Workplaces.

## Report of Activities 1

### To Become a Company Where Our People and Organization Grow through Everyone's Success

#### Example 1: Bank of Tokyo-Mitsubishi UFJ (BTMU)

BTMU

All of our employees must be enthusiastic about their work to provide the services that satisfy customers. BTMU, where women account for 60 percent of the workforce, established the Equal Partnership Office, which focuses primarily on improving the working environment for female employees.

#### ● Supporting the Career Development of Female Employees

To support the career development of female employees, we have set numerical targets and are actively recruiting female workers. We are also encouraging Area Professional (AP) track employees to switch to main career track employees, and contract employees to become regular employees.

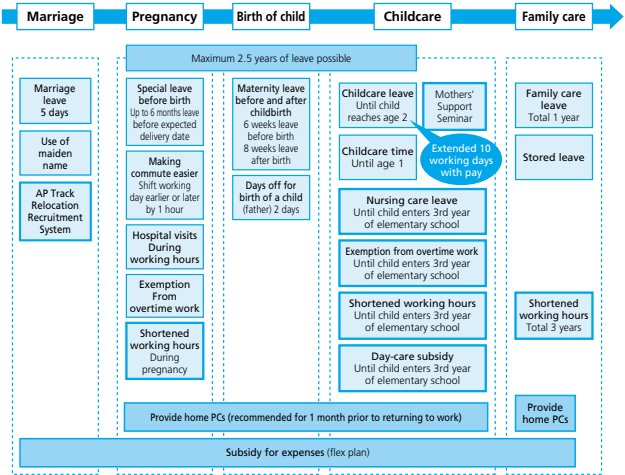
Female Personnel Career Development Support (Actual Results and Targets)

Position	January 2006	April 2008	Target
Female General Managers	5	20	30
Female Section Chiefs	41	77	100
Female Managers	4.7%	7.5%	10%
Females Among New Hires for Main Career Track	10% (hired April 2006)	30% (hired April 2008)	Maintain 20%

#### ● Policies to Support Work-Life Balance

In January 2007, BTMU introduced a system giving employees shorter work hours for maternity, child care, or family care. The Area Professional Track Relocation Recruitment System allows AP track employees, who would normally not be given a job transfer that requires them to change their place of residence, to request a transfer to another area for reasons such as the work relocation of a spouse or to provide care for family members. The system enables certain employees to continue their careers without interruption, rather than having to leave the company. We also support balance between work and family life in a variety of other ways, including subsidies of day-care expenses for children of employees.

System for Supporting Work-Life Balance



#### • Partially Paid Childcare Leave

Male employees have often said they would like to be eligible for childcare leave, yet the lack of corporate culture supporting such leave and ingrained rules requiring the time to be taken as unpaid leave blocked progress in this area. We have responded by allowing 10 days of paid childcare leave for our male employees. We are considering various ways to formulate a system capable of providing as much support as possible for all employees desiring to take part in childcare.

#### • Seminars and Support for Returning Parents

To ease the transition for employees returning from maternity or childcare leave, returnee seminars are presented to introduce and explain recent bank information before the return to work and to create a network among returning employees. In August 2007, we started to provide PCs to employees during their maternity or childcare leaves. The computers are linked to the company's intranet system so employees can prepare for their return by becoming familiar with system changes and new products while still at home.

#### ● Fostering Corporate Culture

We also conduct various initiatives to promote equal partnership activities, including the *Kagayaki* Forum and the *Kagayaki* booklet ("kagayaki" means "shine") published beginning last year. We are seeking even greater participation in the *Kagayaki* forums by encouraging paired participation of supervisors and subordinates and holding the forums on non-work days. Responding to employee requests, volumes 2 and 3 of *Kagayaki* featured actual examples of female professionals both inside and outside the bank. In a survey on working conditions for women, the number of male and female employees describing the workplace as supportive and fulfilling has increased for three straight years, and now exceeds half of all employees. We continuously seek a fully supportive work environment for all our employees.



Mothers' Support Seminar



## Example 2: Mitsubishi UFJ Trust and Banking Corporation (MUTB)

MUTB

Because one special feature of trust banks is the long-term relationship they build with customers, MUTB has always been aware of the importance of work-life balance, and has therefore created various programs for its own employees. We believe the work-life balance that we have achieved is evident in the fact that the average age and average years of service of its male and female employees are very similar.

### ● Handbook Production and Distribution

To further promote a well-rounded environment, in November 2006 MUTB introduced the Work-Life Balance 10 personnel system and expanded its support for childbirth and child-care to include financial support for child-care leaves. In addition, in January 2008, we published and distributed a handbook explaining our work-life balance support programs and the employee benefit system (about affiliate institutions). Designed to be shared with family members, the handbook promotes full understanding of the systems and is another effort toward creating a supportive work environment for all employees.

#### Work-Life Balance 10 Personnel System

1. Expanded childcare leave system (2 weeks of paid leave)
2. New system for shorter work hours (up to 3 hours)
3. New hospital care leave system (1 paid day of leave per month)
4. Subsidy for childcare expenses
5. Interview on return from childcare leave
6. Voluntary flex-time system
7. "Re-challenge Plan" (rehiring program)
8. Use of maiden name
9. Training to increase knowledge and awareness (e-learning)
10. Development of knowledge and awareness programs



The Handbook

## Example 3: Mitsubishi UFJ Securities (MUS)

MUS

### ● Project for Improving the Environment for Working Women

The Project for Improving the Environment for Working Women was launched in November 2006 with the aim of creating a fulfilling work environment for women. Employee feedback received through this project has been utilized to create new programs. Through the Relocation Request System, employees can apply for a transfer if they have difficulty maintaining their career due to marriage, the job transfer of a spouse, or the need to provide care for family members. Another new program is the Reemployment Registration System for employees who find it necessary to leave their jobs due to maternity, childcare, or other reasons but who wish to return to the company in the future. These and other programs allow female employees to take full advantage of their work experience and help establish a work environment supporting longer careers in the company.

### ● Introduction of Maternity and Childcare Support Programs

MUS continues to improve and expand our programs supporting the work-life balance of our employees. Recent improvements include an expanded system allowing employees to shorten their working hours for childcare, partially paid childcare leave, a new leave program for parents of children entering elementary school, and other programs supporting employee maternity and childcare.



### From the Frontlines

**Namie Kobayashi**, Asset Management Consulting Group, Fujisawa Branch, MUTB

I have been using the reduced work program to leave my office an hour early since April 2007, when my son was entering elementary school. I was concerned about how my son was performing at school and progressing in his studies. These and other concerns made me wonder if the rhythm of my daily lifestyle would be all right. I was able to use the program with the full understanding and cooperation of the people around me, and that gave me the time and psychological support I needed to comfortably deal with the situation. It gave me time to spend with my son as well as with my four-year-old daughter, and we talk a lot every day. I truly appreciate the support that I receive from my supervisors and colleagues at work as well as from my family, and I want to keep living a fulfilling lifestyle.



## Report of Activities 2

### Workplace Tours and Take-Your-Child-to-Work Days

BTMU MUTB

To support and encourage employee families to think about their work-life balance, we provide opportunities for children to learn about what it's like to work in the banking and trust field. In August 2008, some 270 elementary students participated in company tours for the children of BTMU and MUTB employees. The children were able to see where their mothers and fathers work, hear descriptions of what they do, count money, and see the safe-deposit boxes. The children also enjoyed passing out their own specially made business cards as they met their parents' coworkers. We look forward to continuing such programs in the future to

support the work-life balance of our employees as well as to nurture the next generation of society.



Kagayaki Kids' Day at BTMU



Take-Your-Child-to-Work Day at MUTB

# To Nurture Society's Next Generation – A Variety of Coordinated Programs by MUFG Group Companies

## Report of Activities 1

### Financial Education Program for Elementary Students

MUFG

The Group believes one of its responsibilities is to be involved in the financial and economic education of children. To put this belief into action, we teamed with the University of Tsukuba to create an educational assistance program aimed at helping elementary school students understand the importance of money and how the finance and economic systems work. Based on actual course data and results, we produced model teaching plans designed to be both fun and informative.



The financial and economic education support web site  
[URL] [www.kinyu-keizai.jp](http://www.kinyu-keizai.jp) (Japanese only)

Model Teaching Plan Booklet



### The Voice of Stakeholders

Akihide Tanikawa, University of Tsukuba Vice President, PhD

I worked as a supervising editor for this program because I feel the various finance and economic issues affecting our world today make it important to introduce financial and economics education to children at an early age. I hope that this program will be a first step for children throughout the country to learn about economics and will help them start developing their abilities so they can begin contributing to advancing finance and the economy in the near future.



## Report of Activities 2

### Save Our Common Treasures of the Earth

MUFG

#### ● Together with the National Federation of UNESCO Associations in Japan

We have joined with the National Federation of UNESCO Associations in Japan to help raise understanding of worldwide environmental issues through interaction with local natural surroundings and create "sustainable" environmental awareness in children. With the goal of preserving humanity's treasures for future generations, the MUFG Group launched a five-year educational project in 2008 to provide opportunities for children to "learn," "be aware" and "act."

#### ● Learning from World Natural Heritage Sites

We have teamed with Miyagi University of Education and Nara University of Education to create fun study materials using World Natural Heritage sites to teach about environmental problems.



Picture Book "Secret of Primrose"

At a Tree Planting Event

#### ● Raising Awareness Through the Green Picture Contest

Mitsubishi UFJ Environment Foundation sponsors the annual Green Picture Contest to provide children with an opportunity to rediscover nature in their local surroundings. This year, the foundation added a new picture category, "Nearby Nature I Want to Save."

#### ● Encouraging Children to Act through Tree Planting

Local communities and employees as well as the children who submitted entries to the Green Picture Contest are invited to participate in tree planting programs that provide opportunities to interact with the natural surroundings. Through these programs, we plan to plant 150,000 trees in the next five years.

[URL] [www.unesco-esd.jp/](http://www.unesco-esd.jp/) (Japanese only)

## Report of Activities 3

## The Job Shadowing Work Experience Program

MUFG

## ● High School Students Learn the Joys and Difficulties of Work

As part of our social contribution activities, we continue offering the Job Shadowing program. Job shadowing is an educational program for junior high school and high school students popularized in the United States by Junior Achievement, the world's largest non-profit organization promoting economics education. Students shadow employees going about their daily work to gain first-hand experience of the pleasures and difficulties of work, which could help them choose their future occupation and career path.



## ● Participation by 110 Tokyo High School Students

The students paired with employees of BTMU, MUTB, MUS, Mitsubishi UFJ Nicos Co., and Mitsubishi UFJ Lease & Finance in each company's head offices in Tokyo's Marunouchi and Akihabara districts to observe the way employees answered phone calls and wrote memos, and even to attend meetings. The students enjoyed the experience, and student comments included, "The teller's window was the only image I had of banks before, but today I learned that banks do a variety of things," "I learned the weight of responsibility that comes with making decisions," and "The experience will be very helpful when I think about my future career path."

## Report of Activities 4

## Next Generation Leaders Training Program for Asia

MUFG

This year, the MUFG Group has joined with OISCA (See Note) to create the Next Generation Leaders Training Program for Asia. The program invites youth from developing countries in Asia to the OISCA training site in Fukuoka, Kyushu, for one year of training in management and organic agricultural technology for environmental preservation to equip them to become leaders when they return to their countries. The program's opening ceremony on April 18 was attended by 10 future leaders from Cambo-

dia, India, Myanmar, Mongolia, Papua New Guinea, and the Philippines as well as embassy officials and members of the Japanese National Diet supporting OISCA's activities and encouraging the program's first class of trainees. The MUFG Group looks forward to building the program in the future.

Note: OISCA: The Organization for Industrial, Spiritual and Cultural Advancement (OISCA), the primary administrator of the program, has been operating for 45 years and is the largest nongovernmental organization (NGO) in Japan.



Opening Ceremony

## Report of Activities 5

## The First MUFG Cup Graduation Memorial Soccer Tournaments

MUFG

## ● Human Development through Sports

Motivated by our belief that children can nurture sound mental health by making bonds of friendship and meeting diverse individuals through participation in sports, the MUFG Group hosted youth soccer tournaments for sixth grade students soon to be graduating from primary schools in Tokyo, Aichi, and Osaka in February and March 2008.

## ● Learning Politeness and Manners

The tournaments also featured special presentations by NPO groups on greetings and traditional customs and manners in Japan.



A spirited competition of 88 teams, 1,725 players.



# As an Active Member of Local and International Communities, the MUFG Group Enthusiastically Supports Social Contribution Programs through Employee Involvement.

## Report of Activities 6

### Local Community Involvement by Branch Employees

BTMU MUTB

Local sales branch offices of the Group are involved in a wide variety of activities, including cleanup events, planting flower beds in front of branches, tree planting activities, and supporting local education, that emphasize the importance of our relations with the local community. These activities likewise help our employees

to raise their awareness of local issues and understand the importance of contributing to the local community. BTMU and MUTB support the activities by providing information support and approximately 200,000 yen annually to local sales branch offices taking the initiative in community involvement activities.

#### Examples of Community Involvement by BTMU Branches in Japan

Branch	Activity
Kawagoe Branch	Invited children from local foster home facilities to visit Tokyo
Akishima Branch	Collected books from local communities, and donated the books to local elementary and junior high schools
Nine Offices in the Tokorozawa Area	Conducted blood drives based in branch seminar rooms
Shibuya Meiji Dori Branch	Cleaned up area around Shibuya station and handed out eco bags
Global Markets Unit	Presented lectures about and provided tours of the dealing room
Hiroshima Branch	Held a tree planting event to celebrate the 50th anniversary of the organization of Kaita Town
Ashiya Kita Branch	Invited local elementary school students to company workplace tours



Kawagoe Branch



Akishima Branch



Shibuya Meiji Dori Branch



Ashiya Kita Branch



#### From the Frontlines Katsuji Yasunaga, Hiroshima Branch, BTMU

Our branch has a long association with Kaita Town in Hiroshima, and we wanted to do something special to commemorate the 50th anniversary of the town organization. The city accepted our proposal of a tree-planting event, but at the time there was no single plot of land available that could contain upward of 50 trees. We ultimately held the event on a cold winter day a year after the anniversary. The large number of volunteers that participated was inspiring, and it was such a good feeling to be able to contribute to our local community outside the realm of our work that we have continued participating in various community events.

## Report of Activities 7

### Turning Social Contribution Ideas into Action Groups

MUFG

BTMU created "Club for You" in fiscal 2007 to collect and organize donations for social causes from our employees and to provide a matching donation from the bank. In the club's first year, 2,854 employees became members and the club distributed a total of 26,084,600 yen to eight organizations. The bank's *Kakehashi-Shintaku Ai-no-Kikin* fund has been collecting membership fees from MUTB corporate directors, employees, former employees, and their families to make donations to social welfare

organizations since 1977. In fiscal 2007, fees for this fund were collected from 5,810 members, and a total of 10 million yen was donated to 20 social welfare facilities. In October 2007, MUS opened the account for collecting employee's donations and offered to match all employee donations. In July 2008, the account donated 776,668 yen to two organizations.



Japan Guide Dog Association



New York children  
received donated Christmas  
presents.

#### Examples of Community Involvement Activities by BTMU Branches Overseas

Branch	Activity
Singapore Branch	Presented seminars on banking operations to local and Japanese university students
Jakarta Branch	Held a company tour for Japanese junior high school students
Paris Branch	Collected plastic bottle caps for donation to charity organizations
New York Branch	Hosted a Christmas party and coordinated employee donations of presents to local homeless children



Singapore Branch



Paris Branch



Jakarta Branch



New York Branch

#### Examples of Community Involvement Activities by MUTB Branches in Japan

Branch	Activity
Sapporo Branch and Sapporochuo Branch	Participated in tree planting events commemorating the founding of the International Media Center for the G8 Hokkaido Toyako Summit
Business Divisions V, VI, and VII	Participated in an elderly experience program
Seven Branches in the Nagoya Area	Held Christmas sports events for children
Kobe Branch and Kobechuo Branch	Visited children in foster homes
Singapore Branch	Participated in a flood donation drive



Sapporo Branch and Sapporochuo Branch



Business Divisions V, VI, and VII



Kobe Branch and Kobechuo Branch



Singapore Branch



Seven Branches  
in the Nagoya Area

87 elementary  
schoolchildren  
participated.



#### From the Frontlines Rie Yamazaki, Nagoya Real Estate Division, MUTB

I participated in organizing a CSR activity for about 200 MUTB volunteers and children at the Aichi Prefectural Gymnasium, the largest gymnasium in the prefecture. It was everyone's first CSR event. The preparations didn't seem to be going smoothly and, as the day grew closer, I grew more nervous but also more determined to make it a success. On the morning of the event, the children also seemed apprehensive. However, the apprehensiveness gradually dissipated and the volunteers seemed to relax and open up. I remember finally feeling a sense of relief when I saw some volunteers playing around together.

## Report of Activities 8

### Support for Culture "Yuta and His Mysterious Friends"

BTMU MUTB

With the hope of addressing the problem of bullying among children, which has become a major issue in Japan, we regularly sponsor the Shiki Theatre Company's original production of the musical "Yuta and His Mysterious Friends," which provides an entertaining and informative look at the consequences of bullying. From June to September 2008, we provided 360 complimentary tickets to 42 foster home facilities.



Yuta and His Mysterious Friends

# We are Committed to Protect the Environment through Our Business of Providing Financial Products.

## Report of Activities 1

### Providing Environmentally-friendly Syndicated Loans

BTMU

#### ● Eight Banks Provide a Five Billion Yen Origination Amount

BTMU joined with the Development Bank of Japan and six regional banks to provide an environmentally-friendly syndicated loan (co-financing) beginning in March 2008 to Sekisui Chemical Co., Ltd., one of Japan's leading chemical companies, for investment in environment-related facilities. The loan uses an environmental ranking scheme and to date is the largest loan of its kind.

#### ● Financial Support for Investment in Environment-related Facilities

Sekisui Chemical is advancing a medium-term environmental plan to actively develop environmentally-friendly operations, including expanding its lineup of environment-contributing products and reducing carbon dioxide emissions. The company also plans to invest in environment-related facilities, including introducing a biomass boiler and inverters for its injection molding machines. The purpose of environmentally-friendly syndicated loans is to provide financial support for projects like these.

#### ● Joining with Financial Institutions to Support Pro-active Environmental Investment

We will continue to join with other financial institutions to

assemble mutually approved and supportive syndicated loans to assist clients engaging in proactive measures to prevent global warming in their business fields with the ultimate aim of realizing a sustainable society.

Sekisui Chemical earns the Highest Environmental Ranking



#### The Voice of Stakeholders

Satoru Oketani, General Manager of Environment Management Group, CSR Department, Sekisui Chemical Co., Ltd.

We are highly honored that our company has been given the highest environmental ranking by BTMU for its environmental activities and that we are able to receive preferred interest rates on loans. Environmentally-friendly syndicated loans have a positive effect in the financial aspect of environmental activities and are mutually beneficial for the environment and the economy. We intend to make effective use of the funds we have received with this loan to advance our capital investment in environmentally-friendly facilities. We also hope this will provide momentum for additional steps in the future.



## Report of Activities 2

### The Equator Principles: Global Standard of Environmental Friendliness

BTMU

#### ● The Equator Principles

The Equator Principles were created by private sector banks in 2003 to serve as voluntary guidelines for financial institutions to assess the social and environmental aspects of development projects. The principles apply to financing for projects over 10 million US dollars and entail impact assessment and subsequent monitoring to ensure the funds are being used in accordance with the principles.

#### ● Initiatives in Bank of Tokyo-Mitsubishi UFJ

BTMU adopted the principles in December 2005 and began implementing them at the start of 2006. The bank soon established its own guidelines based on the principles with the intention of realizing even more effective consideration of the environment and society in funded projects. As part of its financial advisory services, the bank

explains the Equator Principles to clients to help them incorporate appropriate environmental and social considerations from the earliest stages of project development.

#### Projects under the Equator Principles, by sector

Oil and natural gas development	8
Petrochemicals	4
Infrastructure	20
Mining	2
Other	1
Total	35

(From April 2007 to March 2008)

#### BTMU Projects under the Equator Principles, by category

A	Projects with potential significant adverse social or environmental impacts that are diverse, irreversible, or unprecedented	3
B	Projects with potential limited adverse social or environmental impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures	30
C	Projects with minimal or no social or environmental impacts	2
Total		35

(From April 2007 to March 2008)

## Report of Activities 3

Natural Environment Conservation Alliance with the Wild Bird Society of Japan MUTB

### ● The Wild Bird and Greenery Trust for Environmental Conservation

MUTB created the Wild Bird and Greenery Trust fund as an instrument to support environmental conservation activities by donating income from the monetary trust to the Wild Bird Society of Japan. As the trust acts on customers' desire to play a part in protecting the environment, it has drawn a steady increase in subscribers, which has raised the fund balance to 115,640,000 yen as of March 2008. In fiscal 2007, a donation was made to the Wild Bird Society of Japan with trust income of 250,000 yen from customer funds, combined with a gift of 1 million yen from MUTB.

### ● Bird Sanctuary Created for Red-crowned Crane Habitation

MUTB has joined with the Wild Bird Society of Japan to permanently protect the nesting grounds of red-crowned cranes in Japan from development. The society used funds donated by MUTB to purchase a 34.8 hectare parcel of wetland in Nemuro, Hokkaido, and establish the Wild Bird Society of Japan-MUTB Rakuyo Bird Sanctuary. The Wild Bird Society of Japan is in charge of the environmental management and monitoring

activities of the sanctuary and surrounding areas.

From now on, the Wild Bird Society of Japan will preserve the wild bird sanctuary by managing the environment and monitoring the surrounded area.



Wild Bird and Greenery Trust Panel Exhibit at Main Office Building of the MUTB



The Wild Bird Society of Japan-MUTB Rakuyo Bird Sanctuary

## Report of Activities 4

MUS Launches Emissions Credit Trading MUS

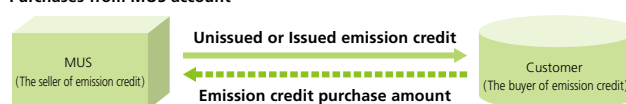
### ● First Securities Company in Japan to Offer Emissions Credit Trading

Until recently, restrictions set by the Banking Law prevented bank-affiliated securities companies from direct trading of greenhouse gas emissions credits. The restrictions were lifted with enforcement of the Law on Sales of Financial Products in October 2007, and MUS subsequently became Japan's first bank-affiliated securities company to enter the emissions trading business. We plan to apply the financial know-how gained from our securities business to develop new "emissions credit" products to meet customer needs and contribute to the reduction of greenhouse gases.

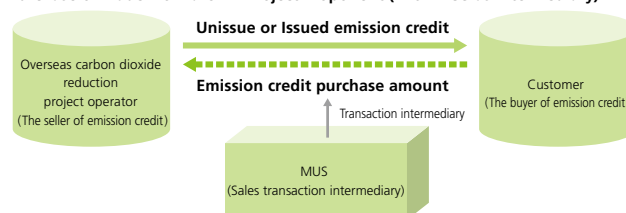
### ● Commoditizing Emissions Credits Acquired in the CDM Business

In the field of clean development mechanism (CDM) methodology, MUS is second in the world in terms of approved methodologies. As of July 2008, MUS has been involved in 94 CDM consulting projects. Through these projects, MUS plans to use the emissions credits it acquires to create new products that it can purchase in exchange for consulting service payments. MUS also plans to utilize its global network to provide emissions credits acquired from overseas businesses implementing greenhouse gas reduction projects to customers aiming to achieve carbon dioxide emissions reduction targets or advance their environmental management.

#### Purchases from MUS account



#### Purchase or Trade from a CDM Project Proponent (with MUS as Intermediary)



#### From the Frontlines

Emissions Credit sourcing and sales Team,  
Clean Energy Finance Division

We launched our emissions credit sourcing and sales operation in July 2008 with an elite team of members headed by Shigeru Hayashi. We believe providing a mechanism for businesses in industrializing nations to convert funds into emissions credits (concluding the CDM business) is an important operation. We are applying knowledge cultivated in our consulting business to promote solutions to a wide range of customers in the electric power, steel, and other industries that are seeking carbon offset instruments.





# Reducing the Environmental Impacts Arising from Our Operations, and Promoting Awareness of Environmental Considerations Across Society

## Report of Activities 5

### Group Environmental Impact Reduction Measures

MUFG

#### ● ISO 14001 Certification

ISO 14001 is an international standard certification program for environmental management systems. We believe continually improving our environmental management systems under the guidance of ISO 14001 will greatly enhance system effectiveness. The MUTB head office building acquired certification in August 2007, and the BTMU Nagoya and Osaka buildings were certified in April 2008. The MUFG Group sites already certified are the BTMU Marunouchi main office and Otemachi building, and Mitsubishi UFJ Nicos and Mitsubishi UFJ Lease & Finance head offices. The MUS offices in the Marunouchi Building attained certification in September 2008.

#### ● Environmental Targets and Indicators Tracking-Progress: What gets measured, gets managed.

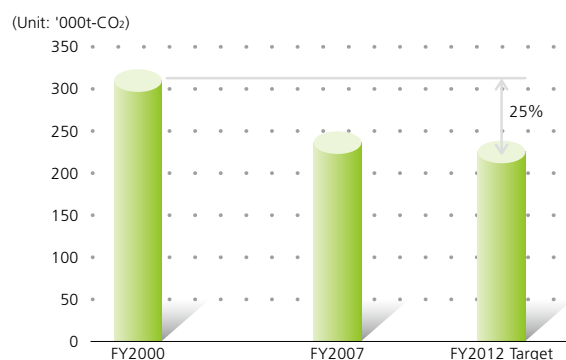
MUFG Environmental Action Policy set emission reduction targets for CO<sub>2</sub> and other greenhouse gases of 25% less than fiscal 2000 levels by fiscal 2012 for BTMU, MUTB, and MUS. In addition to ongoing efforts to improve the environmental performance of our activities in line with the ISO 14001 guidelines and to upgrade to environmentally friendly equipment to reduce the impact from our office operations, we are also expanding the practice of measuring environmental impact data at our

core buildings to all of our domestic branch offices. We believe employees will become more aware of environmental improvement as each branch office recognizes the impacts of its activities. This and the start of detailed emissions measurements are fundamental first steps toward achieving the reduction targets for our greenhouse gas emissions.

#### ● Reducing Employees' Home Environmental Impacts

The Group encourages employees and their families to use the Household Eco-Account Book distributed by the Japanese Ministry of the Environment to raise awareness of environmental measures.

BTMU, MUTB, and MUS Combined Greenhouse Gas Emission Volume Figures and Targets



Note: Figures represent usage of electricity, gas, water, gasoline, and other energy sources at all domestic branches. Figures for fiscal 2007 and earlier are largely derived from estimated amounts. We are conducting environmental impact data measurements at each branch office to improve data accuracy.

## Report of Activities 6

### Carbon Offsets

MUFG

In addition to our energy conservation measures to reduce greenhouse gas emissions, the MUFG Group is also purchasing emissions credits to offset the greenhouse gas produced by our operations. In February 2008, BTMU acquired credits to offset part of the estimated 55,000 tons of CO<sub>2</sub> emissions produced by the Marunouchi main office during the five years from fiscal 2005 to 2009. MUTB offset the greenhouse gas emissions from its main office building for fiscal 2006 by obtaining 10,000 tons of emission credits.

From fiscal 2007 MUTB plans to purchase a total of 25,000 tons of credits to offset the estimated emissions for period from fiscal 2007 to 2009 while restructuring its energy usage from primarily electric power to the five non-renewable energy sources cited in the Law Concerning the Rational Use of Energy. MUS is examining new ways to leverage its ability to produce emissions credits through its CDM consulting services.

## Report of Activities 7

## Participation in the UNEP Finance Initiative

BTMU MUTB

## ● Our Activities as UNEP FI Signatory

The objective of the United Nations Environment Programme Finance Initiative (UNEP FI) is to pursue and promote best practices in the financial industry relating to the environment and sustainability. BTMU became a signatory in May 2004 and MUTB became a signatory in April 2006. Through the program, financial institutions around the world are working together to advance numerous environmentally friendly operations and services.

## ● Keynote Presentation at the Global Roundtable in Melbourne

In November 2007, BTMU succeeded the Development Bank of Japan as head of the UNEP FI Japan group. At the UNEP FI 2007 Global Roundtable held in Melbourne, Australia, in October 2007, BTMU Director Nobuyuki Hirano presented a keynote speech introducing environmental financing activities and welcoming new Chinese institution signatories to UNEP FI.

## ● Responsible Investment Seminar

In 2006, MUTB presented its first responsible investment seminar in cooperation with UNEP FI. MUTB hosted a second responsible investment seminar in October 2007 to share and discuss the direction of worldwide SRI and provide information on investor trends. The highly lauded seminars have attracted a large number of institutional investors and other participants.



The Responsible Investment Seminar

## ● Participation in the UNEP FI Property Working Group

The UNEP FI Property Working Group promotes real estate financing that supports environmentally sustainable construction and development methods. MUTB became a member of the Property Working Group in 2007 and is helping promote studies and research into responsible property investment (RPI). In 2008, MUTB published the first RPI study report translated into Japanese.

## Report of Activities 8

## Conclusion of Memorandum of Understanding (MOU) Regarding Energy Conservation and Environmental Protection in China

MUFG

The MUFG Group has concluded agreements with China's National Development and Reform Commission (NDRC)<sup>1</sup> for setting up a system for managing CDM projects and to build capacity among local government officials responsible for managing CDM projects. The CDM is a mechanism that can promote cooperation between developed and developing countries (e.g., between Japan and China), where cooperation on energy efficiency and environmental conservation is increasingly important. These activities serve to support the work of the NDRC, which plays an important role in promoting energy and environmental conservation in China. In particular, the Group provides assistance to set up a system for managing CDM projects at the CDM Management Center of the Energy Research Institute of the

NDRC, and to implement CDM-related training programs (conducted in both Japan and China) for local government officials. The Group will provide a total of one million dollars for these activities. For the trainings held in Japan, we also plan to have UNEP provide expert lecturers. Through these and other activities, the MUFG Group will continue to contribute to activities to reduce emissions in China, where emissions are growing quickly in tandem with rapid economic growth.

1: China's National Development and Reform Commission (NDRC): A Chinese governmental agency responsible for economic and social development strategies, and the formulation and implementation of annual plans for China's mid- and long-term growth. As the designated national authority under the Kyoto Protocol, the NDRC approves CDM projects in China.



## Report of Activities 9

## TV Program for the Children of the Future

MUFG

## ● MUFG Special "To the Children of the Future

## — How to Use Money to Save the Earth from Crisis"

The MUFG Special "To the Children of the Future — How to Use Money to Save the Earth from Crisis" broadcast on September 3, 2007, was produced to introduce to a wide audience how each person can use their money in ways that help solve the world's environmental and poverty problems and make a better world.



What eco activities can I do in my daily life?

## ● Weekly TV Program "Eco Da-ne —To the Children of the Future"

There are things we can do in our everyday lives that will help save the earth's environment for us and for our children and grandchildren. *Eco Da-ne* (It's Environmental) considers steps that we can all take now to protect the environment and introduces people who are bringing environmental ideas to life.

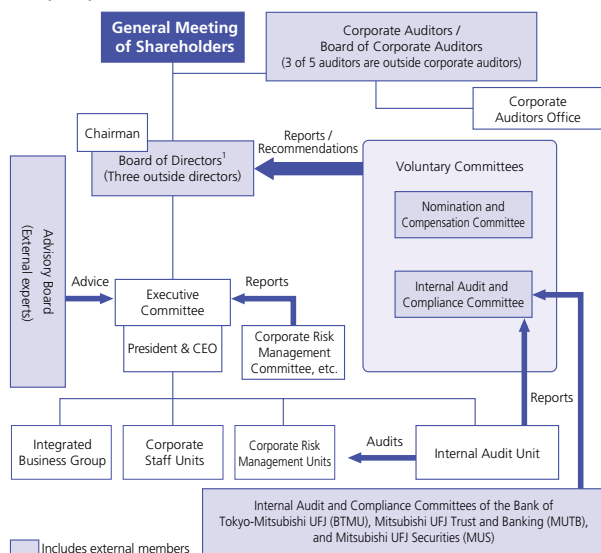
## Enhancing Corporate Governance

We are working hard to build up a corporate governance framework that is commensurate with our status as a premier and comprehensive global financial group. We focus on firmly establishing a corporate governance structure emphasizing external perspectives introduced at the time of the 2005 merger of Mitsubishi Tokyo Financial Group (MTFG) and UFJ Holdings, and on enhancing the management oversight function.

### Corporate Governance Framework at the Holding Company

The holding company has established a Board of Corporate Auditors, introduced a system of voluntary committees to build up a stable, highly effective governance framework emphasizing external perspectives, and is now striving to further enhance corporate governance. Three of the 17 members of the Board of Directors are outside directors, and the majority of the five-member Board of Corporate Auditors are outside auditors. The two voluntary committees—the Nomination and Compensation Committee and Internal Audit and Compliance Committee—submit reports and make recommendations to the Board of Directors. These voluntary committees are chaired by outside directors, and the majority of their members are outside members. The holding company has also established an Advisory Board composed of outside experts. The Advisory Board advises the Executive Committee (which reviews important business operations) from an independent standpoint on important management topics such as corporate strategy and business planning.

Group Corporate Governance Structure



1: The position of chairman of the Board of Directors is separated from the position of CEO. In addition, no director with a vested interest in a board resolution may participate in voting on that resolution.

Outline of the Internal Audit and Compliance Committee, and the Nomination and Compensation Committee (as of June 27, 2008)

Committee name	Issues Deliberated	Members
Nomination and Compensation Committee	Items regarding the nomination of candidates for the Board of Directors of the holding company; items regarding important personnel at the holding company and subsidiaries; items regarding the compensation of directors of the holding company and subsidiaries	Chairman: Iwao Okijima (Outside director) Members: Akio Harada (Outside director) Takuma Otoshi (Outside director) Nobuo Kuroyanagi (President & CEO, MUFG)
Internal Audit and Compliance Committee	Items regarding internal audits and compliance at the holding company and subsidiaries	Chairman: Akio Harada (Outside director) Members: Iwao Okijima (Outside director) Koji Tajika (Outside expert, C.P.A.) Yoshinari Tsutsumi (Outside expert, Attorney at law) Haruya Uehara (Deputy Chairman & CAO, MUFG)

Members of the Advisory Board (as of June 27, 2008)

Kazuhiro Ikeo (Professor of Economics, Keio University)  
Naotake Okubo (President, Sekisui Chemical Co., Ltd.)  
Yuko Kawamoto (Professor, Waseda University Graduate School of Finance, Accounting and Law)  
Yoshihide Munekuni (Former Chairman, Honda Motor Co., Ltd.)

### Corporate Governance Framework of MUFG Group

To ensure good corporate governance throughout the Group, the holding company fulfills an oversight function for the management of each member company by creating a group-wide risk management and internal audit structure, and dispatching senior management to the major subsidiaries. The Group companies have also appointed outside directors and formed internal audit and compliance committees, mostly composed of outside members, which report to each company's Board of Directors.

### Strengthening Internal Controls to Ensure the Reliability of Financial Reporting

Section 404 of the U.S. Sarbanes-Oxley Act (SOX), which seeks to strengthen internal controls over financial reporting, has been applied to the MUFG Group from the fiscal year ended March 2007 as an enterprise listed on the New York Stock Exchange. The Group has arranged an accurate and highly reliable financial reporting system in compliance with SOX. Moreover, internal control provisions of the Financial Instruments and Exchange Law, known as J-SOX, are being applied to the MUFG Group from the fiscal year ending March 2009, and the Group is appropriately arranging internal controls as stipulated by that law as an enterprise listed on Japanese markets.



## We See Compliance as the Most Important Management Issue.

We thoroughly observe compliance throughout the entire MUFG Group as stipulated by our Management Philosophy, which emphasizes strict observance of laws and rules, honest and highly transparent management, and the general trust and confidence of society.

### Basic Compliance Policy

The MUFG Group's Management Philosophy emphasizes strict observance of laws and rules, honest and highly transparent management, and the general trust and confidence of society. MUFG has also stipulated an Ethical Framework and Code of Conduct as a fundamental ethics policy for all Group officers and employees, and is dedicated to upholding a corporate culture in which we act with integrity and fairness by always observing this Ethical Framework and Code of Conduct. Despite these efforts, during the previous fiscal year compliance-related incidents occurred within the Group which resulted in sanctions by domestic and foreign supervisory authorities. The MUFG Group takes these regulatory actions seriously, and is strengthening and thoroughly implementing compliance management throughout the Group to ensure sound and appropriate execution of business both within Japan and overseas. Please note that our responses to administrative orders are covered on page 35 of the Supplementary Report (online only).

### Compliance Framework

We have established Compliance Divisions as units for the overall control of compliance at the holding company MUFG, and at the three operating companies BTMU, MUTB, and MUS. The Compliance Divisions at each company compile compliance programs, promote compliance through trainings and other activities, and submit reports regarding compliance status to the Executive Committee and to the Boards of Directors of their respective companies. All four companies have also established Compliance Committees and Internal Audit and Compliance Committees, mostly composed of outside members, as voluntary bodies for the deliberation of important compliance issues.

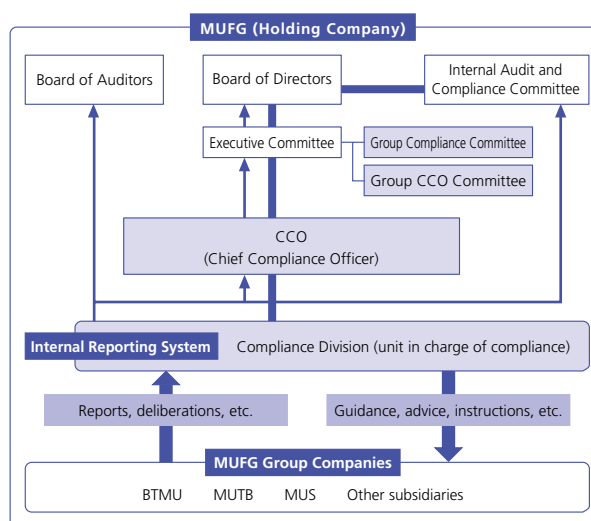
We have also established a Group CCO (Chief Compli-

ance Officer) Committee at the holding company after reviewing the Group's compliance framework in April 2007. The Group CCO Committee deliberates important compliance issues and compliance issues that require a common understanding throughout the Group.

### Group CCO<sup>2</sup> Committee

We have established a Group CCO Committee under the Executive Committee, consisting of the CCOs of BTMU, MUTB and MUS, with the CCO of the holding company as the chairperson. The Group CCO Committee promotes the sharing of information related to the compliance of Group companies, strengthens preventative controls, responds proactively to problems, and works to constantly improve compliance systems throughout the entire Group.

2: We have assigned the directors in charge of compliance in the holding company, BTMU, MUTB and MUS to the post of Chief Compliance Officer (CCO) for each respective company in the Group, we have also appointed the CCOs of BTMU, MUTB, and MUS as Deputy Chief Compliance Officers of the holding company.



Note: Internal Reporting Systems: BTMU, MUTB and MUS have established internal reporting systems, including the capacity to handle external inquiries, advance the rapid discovery of compliance problems and rectify them within the companies. MUFG has also established a Group Compliance Helpline accessible to officers and employees of the MUFG Group companies to supplement the reporting systems at the individual companies.

## We Comprehensively Monitor and Manage Diverse Risks to Maintain Sound Financial Health.

We are creating a risk management system that is commensurate with our status as a premier, comprehensive, global financial group.

### Risk Management Policy

Risk management is playing an increasingly important role amid constantly changing business and regulatory conditions, globalization of finance, and advances in information technology. The MUFG Group comprehensively identifies the various risks arising from business operations using uniform criteria, and implements integrated risk management.<sup>1</sup> Under this basic policy, we identify, measure, control, and monitor a wide variety of risks to achieve a stable balance between earnings and risks, create an appropriate capital structure, and achieve an optimal allocation of resources.

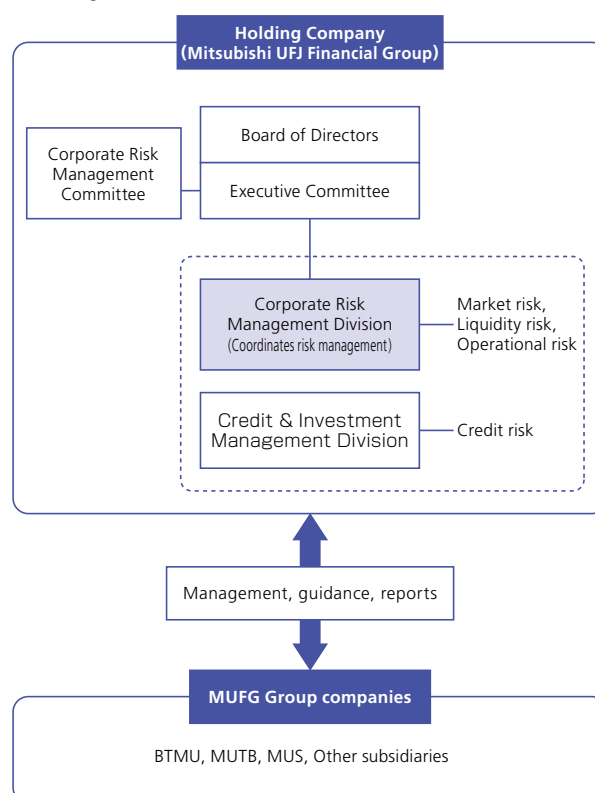
1: Integrated risk management: A risk management method for financial institutions whereby various risks are measured using uniform methodologies and overall risk is controlled in proportion to financial strength.

### Risk Management System

To dynamically manage various types of risk from both qualitative and quantitative perspectives, the holding company and major Group companies each appoint chief risk management officers and establish independent risk management divisions. We promote group-wide risk management with close cooperation. The Group has also established committees and councils to manage and discuss important matters relating to various types of risk. The Board of Directors determines risk management policies for all Group companies based on the discussions held by these committees and councils. In addition to determining the basic risk management policy for the entire Group, the holding company seeks to enhance group-wide risk identification, to integrate and improve the group's risk management framework and related methods, to maintain asset quality through risk management, and to eliminate concentrations of specific risks. Each Group company implements and improves its own risk management framework in line with group-wide risk management policy determined by the holding company. The MUFG Group will continue

striving to upgrade risk management and to maintain and improve our brand strength as a conglomerate following our corporate integration.

#### Risk Management Framework



## We Are Serious about Protecting Customer Information and Assets.

We work hard to ensure security by adopting state-of-the-art technologies in our products and services and maintaining good communications with customers.

### Security Measures to Reduce Damages from Phishing Fraud

To enhance security, starting in January 2008 BTMU began transmitting digital certificates on the electronic mail sent to customers. Depending on which e-mail software the customer is using, this system displays a warning message when the e-mail contents have been tampered with during transmission, and allows customers to confirm the message sender. In addition, from May BTMU introduced EV (Extended Validation) SSL server certificates whereby customers can easily confirm that they are connected to the Bank's genuine server when inputting important information for direct banking and other services on our homepage. Customers using compatible operating systems and Internet browsers on their personal computers can verify the authenticity of the website from the address bar display visually.

### Compensation for Unauthorized Withdrawals Using Stolen Passbooks and/or Internet Banking Fraud

Starting April 2008, BTMU began reimbursement to customers for unauthorized withdrawals using stolen passbooks and/or Internet banking fraud. This policy was adopted in accordance with voluntary rules announced by the Japanese Bankers Association on February 19, 2008, and is an addition to existing policies for the compensation of customers who suffer damages from counterfeit and stolen cash cards.

### Advertising to Reduce Damage from Financial Crimes

Customer precautions are an important means of preventing damage from financial crimes. To date, we have used diverse media to urge customers to take proper precautions. In fiscal 2007 we used a series of train advertisements designed in response to recent crime trends, to educate customers about cash card and passbook management, and urge them to regularly change their passwords in order to protect themselves from fraud and ID theft.

### ISO/IEC 27001 (JIS Q 27001) Certification

In June 2006, BTMU acquired ISO/IEC 27001 (JIS Q 27001) certification for the development and operation of two of our systems: (1) the biometric system, which is one of the standard functions on our Super IC ATM cards, and (2) the yen deposits and foreign exchange transaction services in our "BizSTATION" online banking services for corporate customers. ISO/IEC 27001 is the international standard for information security management system (ISMS). In March 2008, MUS also acquired ISO/IEC 27001 certification, recognizing the need to reinforce security measures protecting the diverse customer information handled at the MUS call center.



## Stakeholder Dialogue

**MUFG held its third Stakeholder Dialogue on August 1, 2008. Experts in such areas as the environment and finance participated in a dialogue with MUFG Group directors responsible for corporate social responsibility (CSR).**



**Naoki Adachi**  
CEO, Response Ability Inc.

I would like the MUFG Group to consider what it can do about biodiversity, as a financial institution. While this problem can be approached from many directions and it would be difficult to be involved with every aspect, I think that financial institutions can make important contributions through investment and lending standards. I would also like to see efforts to deal with the issue of non-standard employment, which I think has to be addressed by the Japanese business world as a whole. Ensuring that workers who are not regular full-time employees can work with a sense of security is an important part of companies' social responsibility.



**Kikuko Tatsumi**  
Executive Director,  
Nippon Association of Consumer Specialists

We need to make greenhouse gas reduction efforts more visible, and I would like financial institutions to consider quantifying and displaying the carbon footprints of their financial products. Financial education, for example, on the difficulties involved with borrowing is also important, and more efforts should be made. Also, I think companies need to convey the contents of their CSR activities in different settings using various means aside from CSR reports.



**Sachiko Kishimoto**  
Executive Director,  
Center for Public Resources Development

In addition to making contributions toward achieving a cyclical society through business activities, I want financial institutions to consider expanded disclosure, for example, on the greenhouse gas reduction effect from financial products. I would like institutions to turn their focus to such issues as the working poor and global poverty, and consider active support through microfinance and other measures. I would also like to see further development of ongoing financial education efforts because these are important activities which foster the self-responsibility of future generations.



**Noriyuki Yanagawa**  
Associate Professor,  
Graduate School of Economics,  
the University of Tokyo

While it is important to advance many different efforts, a great contribution can also be realized from a single initiative with a large impact. We should emphasize how to make broader, deep contributions to resolving environmental problems. Also, basic consumer education is needed to resolve social problems such as the plight of the working poor. I think that financial education is an excellent approach, and should be developed over a wide area.



Facilitator  
**Peter D. Pedersen**  
Chief Executive,  
E-Square Inc.

### Response to the Stakeholder Dialogue **Toshihide Mizuno**, Senior Managing Director, Mitsubishi UFJ Financial Group

We appreciate your many comments, which cover a variety of issues. Reading them, we are strongly reminded that we must look ahead and anticipate the needs of the future. Going forward, we will continue to give due regard to sustainability and our relationships with stakeholders, as we make the changes and start the new approaches necessary, in order to make deeper and more substantial contributions to society.



#### MUFG Group Participants

**Toshihide Mizuno**, Senior Managing Director, Mitsubishi UFJ Financial Group   **Nobuyuki Hirano**, Managing Director, Bank of Tokyo-Mitsubishi UFJ   **Kaoru Wachi**, Managing Director, Mitsubishi UFJ Trust and Banking  
**Kazuo Takeuchi**, Senior Managing Director, Mitsubishi UFJ Securities   **Takahiro Yanai**, Executive Officer, Corporate Planning Div., Mitsubishi UFJ Financial Group

## Third Party Comment



Prof. **Yoshihiro Fujii**  
Graduate School of Global  
Environmental Studies,  
Sophia University

"The world of finance is really mobilizing now to deal with the environment." If someone tried to express the main message of this year's CSR Report from the MUFG Group, that would probably be it.

Global warming is an issue on which societies and economies of the world must not procrastinate. But can we encourage the global warming countermeasures of society overall in ways that will not slow economic growth, but actually create opportunities for new environmental businesses? In that respect, the role of governments is important, but it is the world of finance in global markets that holds the keys to properly evaluate the environmental values associated with global warming, and create the most suitable financial flows in that context.

What is new in the MUFG Group's presentation this year is not some kind of environmental declaration or policy. It is the Guidelines for Action on the Environment. This is a public pledge to take action. And the key thing here is that this is not just coming from one bank, but rather, represents an initiative using the collective capacity arising from the financial functions of a comprehensive financial group.

The actions can be divided into two. First are the commitments to promote the environmentally conscious initiatives of corporations and individuals through your core business of finance in the form of loans and investments. Second are the commitments to reduce the environmental impacts associated with your own business operations. On this latter point, you have declared numerical targets to reduce greenhouse gas emissions of the four core Group companies by 25 percent by the year 2012 (compared to the year 2000 levels). I certainly wish you the best in these efforts.

More important is your first point, though: environmental action through your core business. That is, you will respond to the intentions of individuals and the initia-

tives of corporations by offering "environmental finance" products, services and support. These commitments tell the world that the MUFG Group itself fully recognizes the importance of the environment.

There is the example of your Group member the Bank of Tokyo-Mitsubishi UFJ, which has calculated the economic equivalent of the reductions in environmental impacts of client companies, achieved through the use of financial functions. The reduction for fiscal 2007 is 4.5 billion yen (15% greater than the previous year). You are making steady progress, and this speaks volumes to the fact that "action" really consists of many efforts accumulated over time.

One key feature of the current report is that you have divided it into two parts, the Core Report and the Supplementary Report. The increasing volume of information to report is a challenge for all companies when it comes to CSR. Separating the information into different publications is one solution, and I admit that the core pamphlet has been very well organized. A blind spot can be found, however, in the way you have separated the information between the two reports.

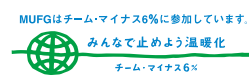
For example, in the 2007 version, having been subject to improvement orders from the government for inappropriate investment trust sales, you used the heading "Restoring Confidence" on some pages. This year, to address those topics the Core report describes basic policies for compliance, while the Supplementary Report describes measures. But this approach gives one the impression that the information is too fragmented. Your clients and other stakeholders just want to know clearly and simply what the MUFG Group has done during the past year to tackle the problems, and how you overcame them. In this sense, what readers mostly want to know is exactly what you did. Indeed, even though you have implemented some very interesting countermeasures, it is rather a pity that they are only described in the Supplementary Report.

Ultimately, as I see it, the key to a good CSR report is not the extent to which you have met the evaluation criteria of certain guidelines, or the inclusion of external evaluations such as independent audits. Rather, it is to show the extent to which you have embraced the use of dialogue with stakeholders. My hope for the MUFG Group is not only that you will address the environment, but also that you will sincerely interact with all your stakeholders.



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\*Team Minus 6% is the nickname of the national campaign to achieve a 6% reduction of greenhouse gas emissions, which is Japan's commitment under the Kyoto Protocol. (See P30 of Supplement Report.)

Paper used made of Forest Stewardship Council-certified wood.  
Printer used waterless printing, an offset lithographic printing process that eliminates the water or dampening system which causes environmental impacts, and vegetable-based inks free of volatile organic compounds (VOCs).