



# MUFG Report 2018

**Integrated Report**

## Editorial Overview

We, Mitsubishi UFJ Financial Group, or MUFG, have compiled our integrated report, MUFG Report 2018, in order to explain our efforts to create sustained value to our investors and other stakeholders. Referencing the framework provided by the International Integrated Reporting Council (IIRC),\* this report introduces our business model through the opening section (“Who We Are”), and explains the methods we have used to create sustainable value through “Value Creation Initiatives,” “Important Issues Concerning Value Creation” and “Foundations of Value.” Further details on our initiatives for addressing ESG issues are available on our website.

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

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#### Disclaimer

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

Who We Are

## Corporate Vision

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

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

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



### Important Issues Concerning Value Creation

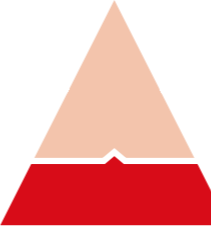
  
*Our mission*

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

  
*Our vision*

#### Be the world’s most trusted financial group

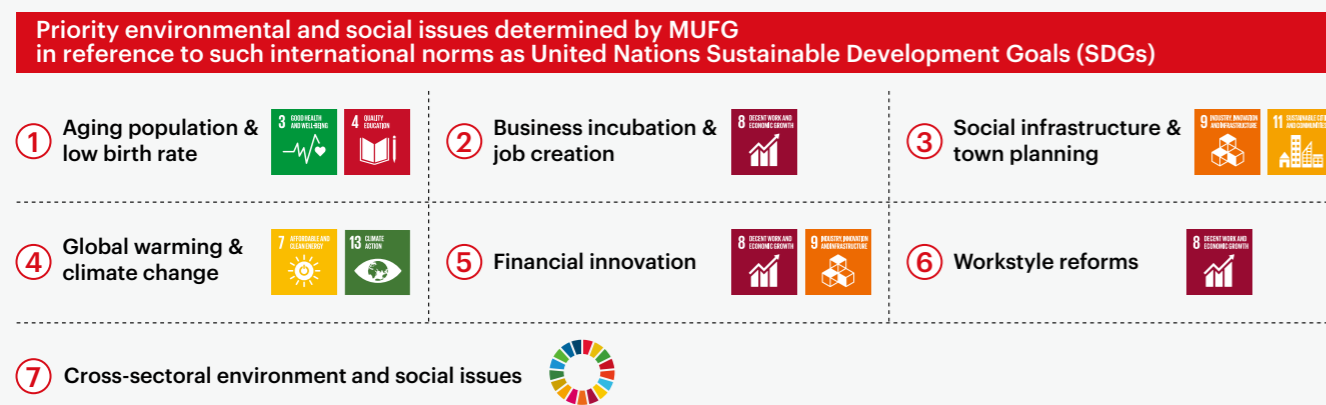
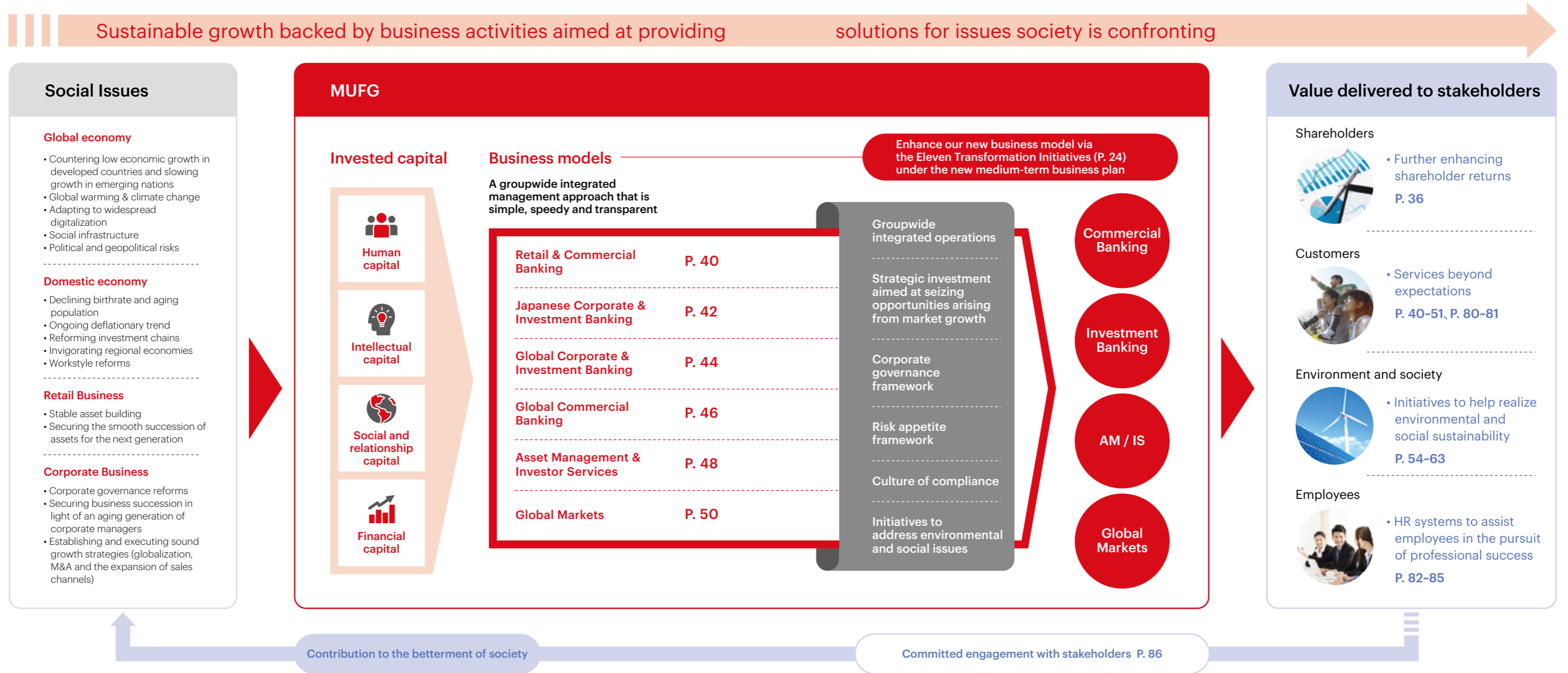
1. Work together to exceed the expectations of our customers
2. Provide reliable and constant support to our customers
3. Expand and strengthen our global presence

  
*Our values*

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

Details on our corporate vision are available on our website. <https://www.mufg.jp/english/profile/philosophy>

# MUFG Value Creation Process





# History of MUFG

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

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

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

Konoike Exchange Bureau opened in Osaka (1656)  
(One of the precursors of Sanwa Bank)



Source: Konoike Limited Partnership Company

Mitsubishi Exchange House established by Yataro Iwasaki (1880)  
(One of the precursors of Mitsubishi Bank)



Source: The Mitsubishi Archives

Yokohama Specie Bank established (1880)  
(One of the precursors of Bank of Tokyo)



Source: Kanagawa Prefectural Museum of Cultural History

Bank of Tokyo established (1946)  
(One of the precursors of MUFG Bank)

Toyo Trust and Banking established (1959)  
(One of the precursors of Mitsubishi UFJ Trust and Banking)

Mitsubishi Bank established (1919)  
(One of the precursors of MUFG Bank)

Sanwa Bank established (1933)  
(One of the precursors of MUFG Bank)

**Showa period**

1929 Worldwide recessions  
1941 The Pacific War breaks out

Tokai Bank established (1941)  
(One of the precursors of MUFG Bank)

Mitsubishi Trust established (1927)  
(One of the precursors of Mitsubishi UFJ Trust and Banking)  
Kawasaki Trust established (1927)  
(One of the precursors of Mitsubishi UFJ Trust and Banking)

Yachiyo Securities established (1948)  
(One of the precursors of Mitsubishi UFJ Morgan Stanley Securities)

## MUFG inaugurated

In August 2004, the predecessor companies signed a basic agreement on integration. In October 2005, MUFG was inaugurated via the merger of Mitsubishi Tokyo Financial Group and UFJ Holdings.

## Mitsubishi UFJ Trust and Banking, Mitsubishi UFJ Securities inaugurated

## Bank of Tokyo-Mitsubishi UFJ (now MUFG Bank) inaugurated

Complete repayment of public funds

## Mitsubishi UFJ NICOS, Mitsubishi UFJ Lease & Finance inaugurated

## 2008 Financial crisis triggered by Lehman Brothers

2007 Subprime mortgage problems emerge in the United States  
2006 The Bank of Japan (BOJ) terminated zero interest rate policy

## Strategic alliance with Morgan Stanley

During the global financial crisis, MUFG invested US\$9 billion in Morgan Stanley (U.S.) as part of its efforts to strengthen investment banking



• UnionBanCal Corporation became a wholly owned subsidiary of MUFG  
• ACOM became a consolidated subsidiary of MUFG (JGAAP only)

• MUFG Corporate Governance Policies established  
• Moved to a "company with three committees" structure

Shifted from a "company with a board of corporate auditors" structure to a "company with three-committees" structure, with the aim of establishing a more transparent and effective governance framework

## Mitsubishi UFJ Morgan Stanley Securities, Morgan Stanley MUFG Securities inaugurated

## MUFG Corporate Vision renewed

Ensured the reputation for trustworthiness that MUFG enjoys among customers, which is backed by a longstanding track record and is maintained and passed on, underscoring the commitment of each employee

2009 The Obama administration inaugurated in the United States  
2010 The debt crisis emerges in Europe

2011 The Great East Japan Earthquake

2012 The second Abe administration inaugurated in Japan, initiating the Abenomics stimulus package  
2013 The BOJ introduces quantitative and qualitative monetary easing policies

2014 The Nippon Individual Savings Account (NISA) launched

2015 Quantitative easing measures introduced by the European Central Bank

2016 The BOJ introduces a negative interest rate policy  
U.K. referendum results in a decision to leave the European Union

2017 The Trump administration inaugurated in the United States

2018 U.S.-North Korea summit

## Strategic investment in Bank Danamon, Indonesia



• Bank of Tokyo-Mitsubishi UFJ rebranded to MUFG Bank  
• Integrate corporate loan-related business of the Bank and the Trust Bank



## The new medium-term business plan announced

The Eleven Transformation Initiatives identified to promote strategic initiatives aimed at realizing objectives of the MUFG Re-Imagining Strategy

## The MUFG Basic Policy for Fiduciary Duties established

The formulation of common guidelines for the Group to enforce its customer-first policy

## MUFG Re-Imagining Strategy announced



## Integration of Union Bank operations and MUFG Bank Americas business



## Conversion of Bank of Ayudhya (Krungsri), a major commercial bank in Thailand, into a subsidiary

Initiated full-scale comprehensive financial services in ASEAN as a key growth strategy initiative



## Capital and operational alliance with Vietnam Joint Stock Commercial Bank for Industry and Trade (VietinBank), a national bank in Vietnam



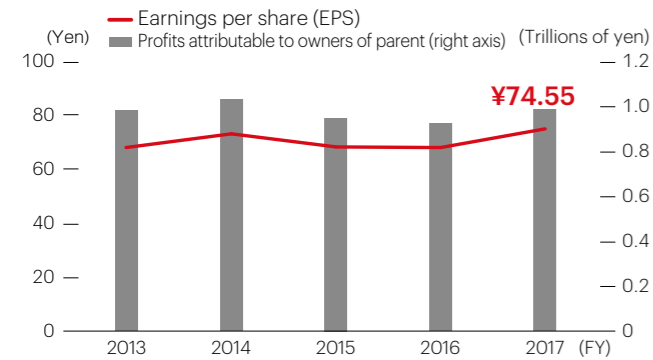
## Capital and business alliance with Security Bank Corporation in the Philippines



# Financial Highlights

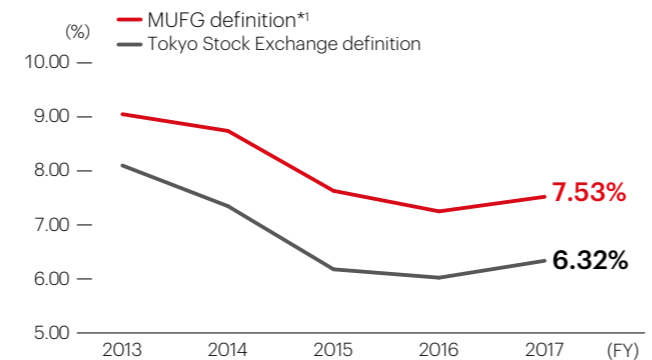
## Key Financial Performance Indicators

### EPS (growth) **¥74.55**



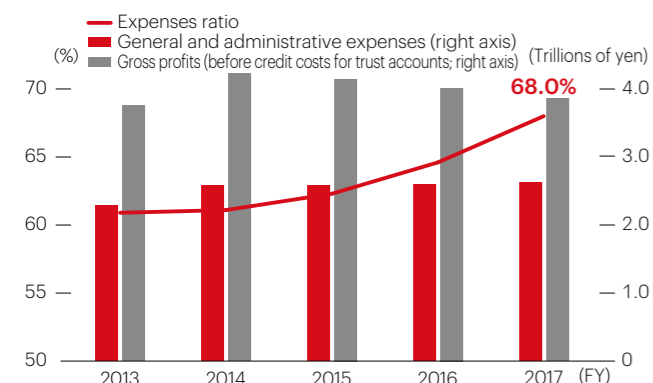
Despite a decrease in net operating profits, profit attributable to owners of parent rose due to a decline in credit costs, an elimination of the provision for repayment of excess interest and other factors. EPS grew, as well.

### ROE (profitability) **7.53%**



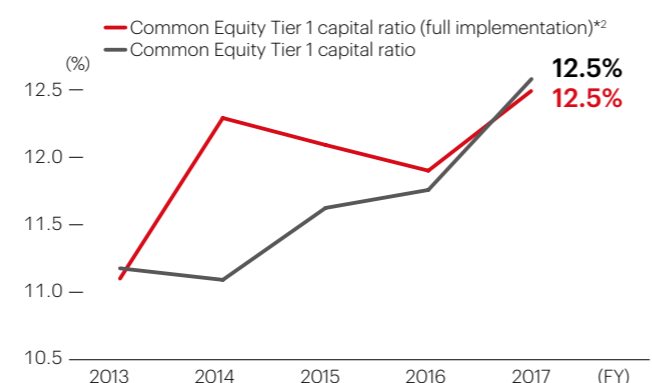
ROE climbed in step with the rise in profit attributable to owners of parent.

### Expenses Ratio (profitability) **68.0%**



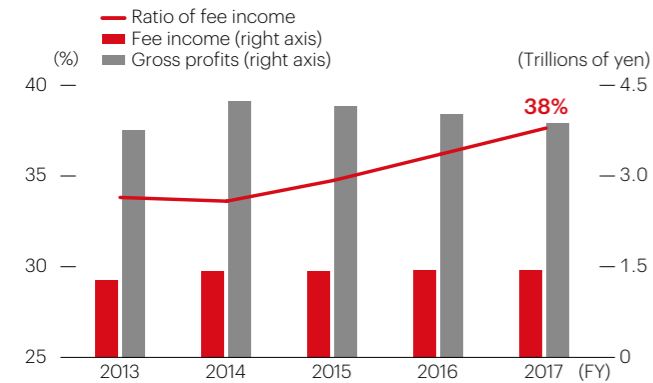
The expense ratio increased mainly due to rises in costs associated with overseas operations and a decline in gross profits on the back of decreases in revenues from domestic loans and deposits and gains on debt securities.

### Common Equity Tier 1 Capital Ratio (financial strength) **12.5%**



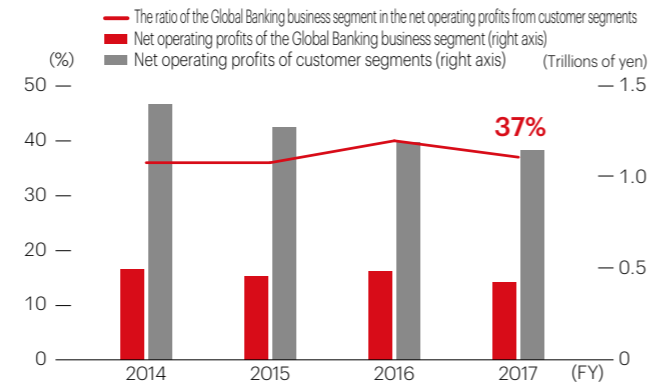
The Common Equity Tier 1 capital ratio remained above the level required by financial regulations.

### Ratio of Fee Income **38%**



With fee income staying virtually unchanged year on year, the ratio of fee income to gross profits rose on the back of an overall decrease in gross profits mainly due to a fall in interest income.

### Ratio of the Global Banking Business Segment in the Net Operating Profits from Customer Segments **37%**



The ratio of the Global Banking Business Segment in net operating profits from customer segments declined due to decreases in customer segment revenues in such overseas regions as Europe and the United States as well as increases in domestic customer segment revenues mainly in Retail Banking Business Segment.

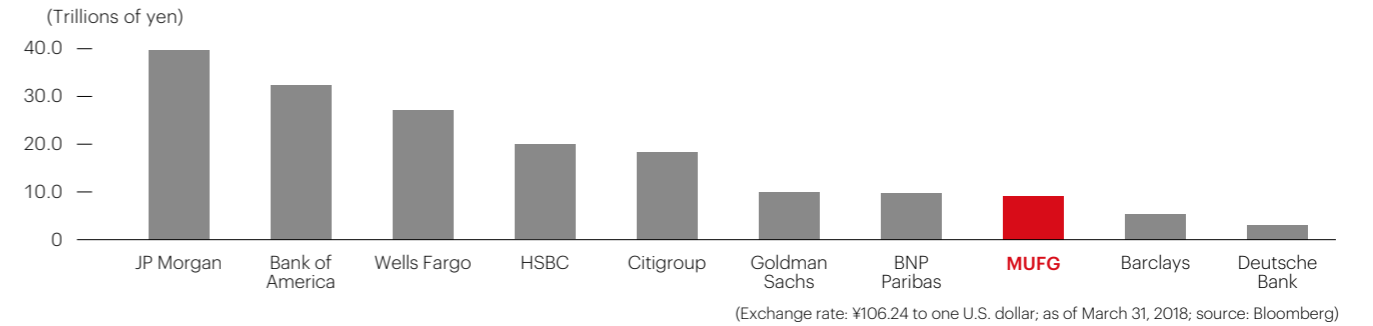
## Financial Results under the Previous Medium-Term Business Plan

		FY2014 (Results)	FY2017 (Targets)	FY2017 (Results)
Growth	EPS	¥73.22	Increase 15% or more from FY2014	<b>¥74.55</b>
	ROE*1	8.74%	Between 8.5%-9.0%	<b>7.53%</b>
Profitability	Expenses ratio	61.1%	Approx. 60%	<b>68.0%</b>
	Common Equity Tier 1 capital ratio*2	12.2%	9.5% or above	<b>12.5%</b>

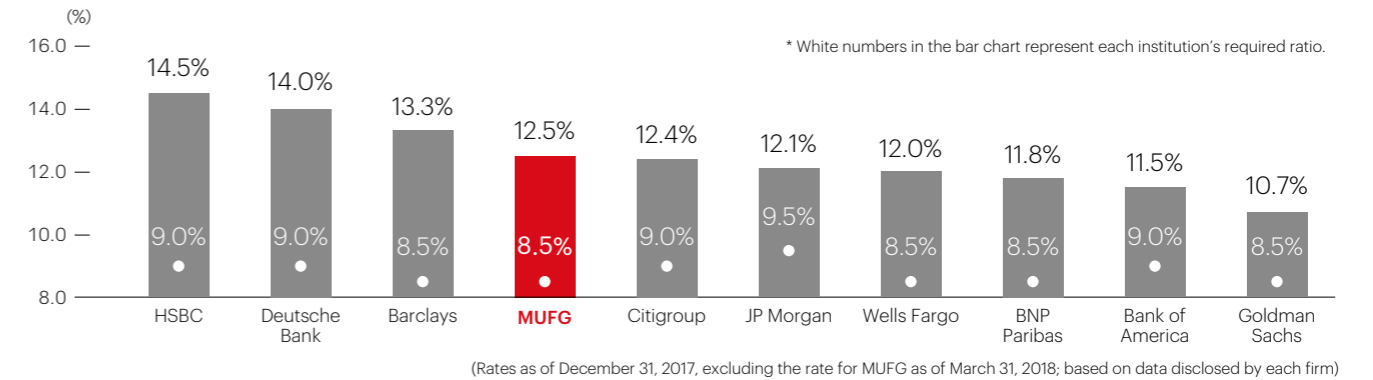
\*1 MUFG definition \*2 Full implementation

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

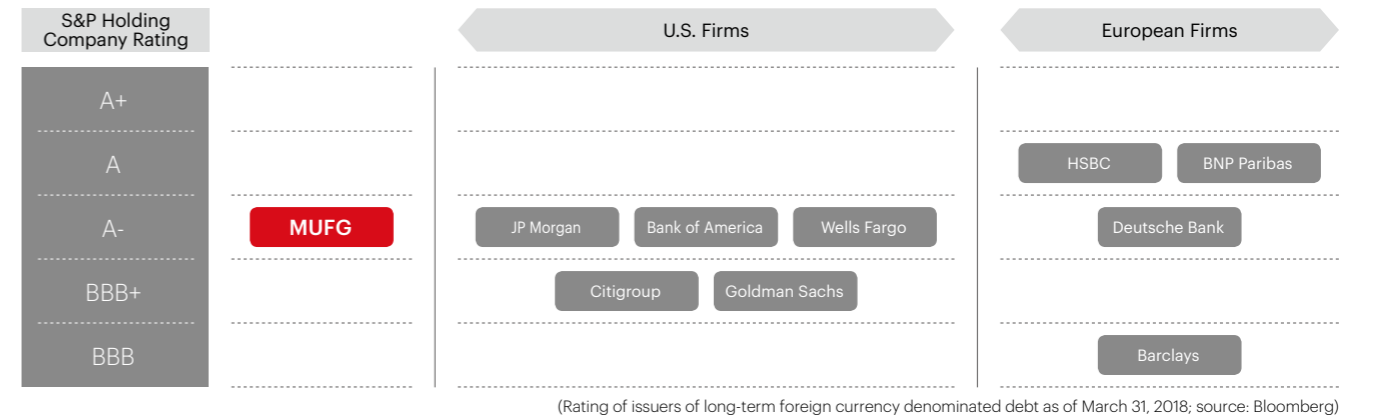
### Market Capitalization



### Common Equity Tier 1 Capital Ratio (full implementation)



### Credit Ratings



\* Comparisons with European and American G-SIBs which a G-SIB buffer (announced in 2017) of 1.5% or greater is applied

Profits attributable to owners of parent  
 \*1  $\frac{[(\text{Total shareholders' equity at the beginning of the period} + \text{Foreign currency translation adjustments at the beginning of the period}) - (\text{Total shareholders' equity at the end of the period} + \text{Foreign currency translation adjustments at the end of the period})] \div 2}{\text{Total shareholders' equity at the beginning of the period}}$

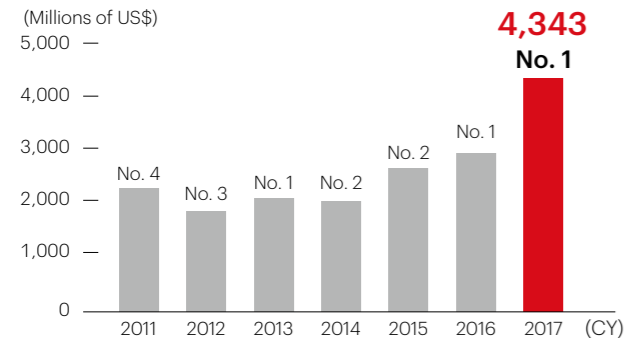
\*2 Calculated on the basis of regulations applied at the end of March 2019.

# ESG Highlights

## Environment

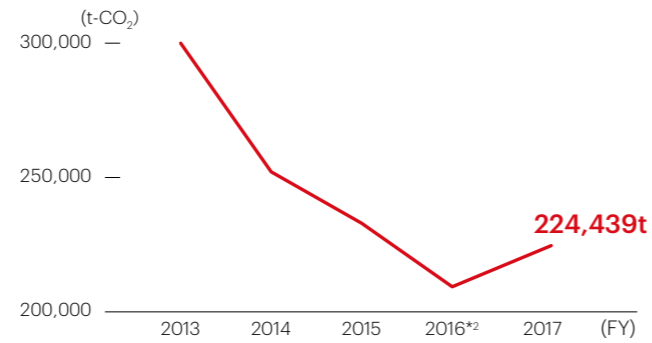
MUFG's Track Record and Ranking as a Finance Arranger in the Renewable Energy Sector

**US\$4,343 Million**  
(No. 1 ranking)



Source: Bloomberg New Energy Finance ASSET FINANCE/Lead arrangers LEAGUE TABLE

Carbon Dioxide (CO<sub>2</sub>) Emissions\* **224,439t**



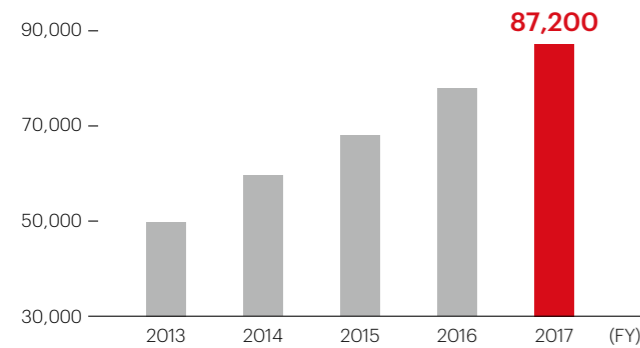
\*1 Total for MUFG, MUFG Bank, Mitsubishi UFJ Trust and Banking, Mitsubishi UFJ Morgan Stanley Securities and Mitsubishi UFJ NICOS

\*2 The figure for fiscal 2016 includes the impact of a CO<sub>2</sub> offset scheme employing emission credits. This scheme resulted in a total reduction of 25,500t-CO<sub>2</sub>.

## Society

Number of Business Matches Made\*

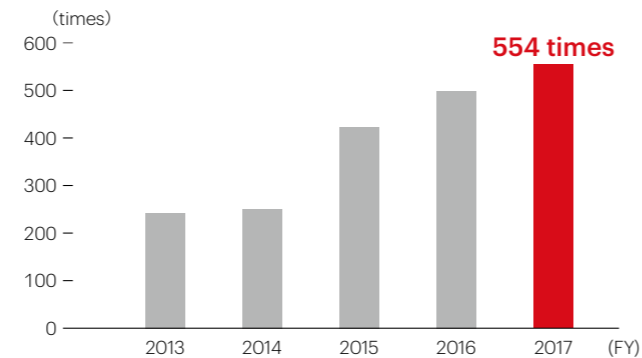
**cumulative**  
Approx. **87,200**



\* The Number of business talks at large-scale business matching conference in Japan

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

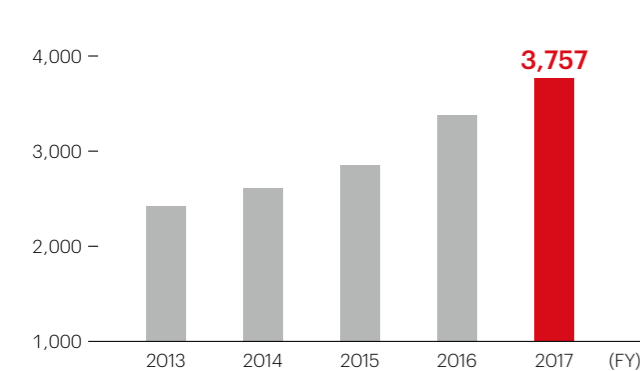
**554 times**



\* On-demand school lectures and workplace experience programs conducted by staff at MUFG Bank, Mitsubishi UFJ Trust and Banking, Mitsubishi UFJ Morgan Stanley Securities, Mitsubishi UFJ NICOS and ACOM

Number of Employees on Childcare Leave\*

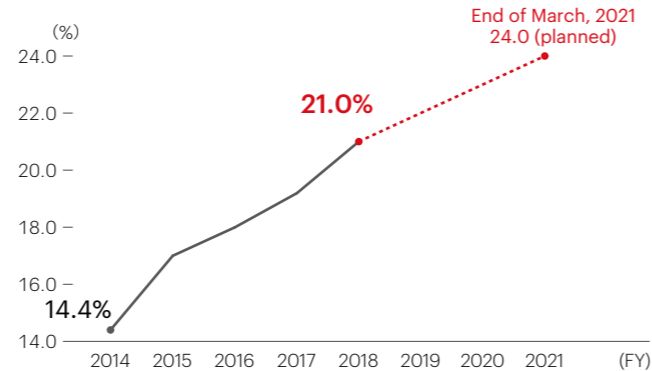
**3,757**



\* Total for MUFG Bank, Mitsubishi UFJ Trust and Banking, Mitsubishi UFJ Morgan Stanley Securities and Mitsubishi UFJ NICOS

Ratio of Female Managers in the entire Managerial Positions\*

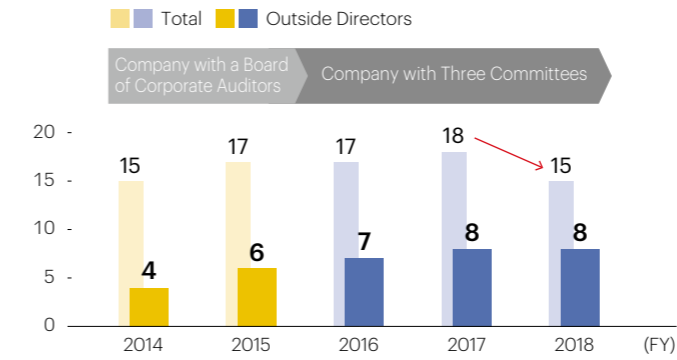
**21.0%**



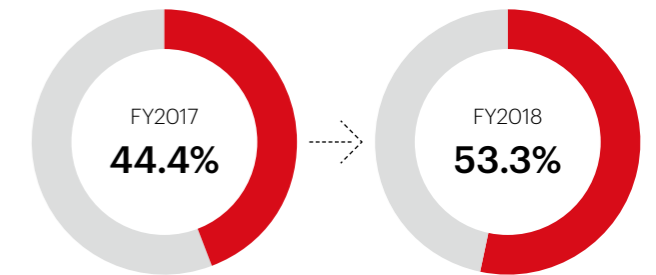
\* Total for MUFG Bank, Mitsubishi UFJ Trust and Banking and Mitsubishi UFJ Morgan Stanley Securities

## Governance

Number of Members of the Board of Directors



The Proportion of Independent Outside Directors



## External Recognition

ESG-related indices

MUFG stock has been designated by some prominent ESG-related indices in Japan and overseas (as of May 31, 2018).

MEMBER OF  
**Dow Jones Sustainability Indices**  
In Collaboration with RobecoSAM



FTSE4Good



FTSE Blossom Japan

MSCI  
2017 Constituent  
MSCI Japan Empowering Women Index (WIN)

Technology Utilization Category Award under the NIKKEI Smart Work Awards 2018 Program

MUFG was chosen by the financial newspaper Nikkei to receive a Technology Utilization Category Award under the NIKKEI Smart Work Awards 2018 program in recognition of its pioneering initiatives to enhance productivity and secure sustainable growth through workstyle reforms.



Bloomberg Financial Services Gender-Equality Index

MUFG was chosen by the index as a company attractive due to its creation of a workplace environment that embraces gender equality along with efforts to maintain timely information disclosure, solid cumulative track record and progressive policies in this area.



The 2018 Competitive IT Strategy Company Stock Selection

MUFG was selected by Japan's Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange as an attractive company due to its aggressive utilization of IT in its management activities and engagement in strategic IT investments and other initiatives. (Received for a second consecutive year)





# Creating a Resilient Organization in a Disruptive World



Nobuyuki Hirano  
President & Group CEO

## What do the times demand of management?

2018 arrived with turbulence – but also with reasons for optimism, as economic and political developments inspired some cautious confidence. Despite a volatile global environment, world leaders who gathered at Davos in January seemed to share a belief that upturns in employment, consumption, and investment would continue. This view was based largely on widespread economic growth in the 35 member countries of the Organisation for Economic Co-operation and Development – and endorsed by the leader of the world’s largest economy. In a speech delivered the last day of the Summit, he

implied that the domestic “America-first” policy he promoted since inauguration would accommodate this promising outlook.

But skeptics, including some bankers, identified three conditions that might threaten the global economy: Geopolitical risk, trade conflicts – and market volatility triggered by central banks’ strategic shift from monetary-easing policies. Looking back, it seems the skeptics might have been right. In light of these serious issues, optimism among government, corporate, and consumer sectors has indeed steadily dwindled.

Consider Japan. Responding to a declining birth rate,

graying society, and shrinking population, the government’s stimulus policies – including monetary easing and fiscal action – did produce some good results over the past few years. But other major efforts – reforming labor markets, overhauling social security, and reducing the national deficit – have fallen short. Meanwhile, uncertainty has hardened the mindsets of corporate leaders and consumers, who tend to be overcautious about spending. This combined ineffectiveness of government, business, and consumer activity has led to stagnant innovation, slumping labor productivity, and an economy that can’t seem to grow.

Japan is not unique in facing these problems. Other

industrialized nations face them too, including in Europe. My fear is that aside from obvious economic effects, these problems fuel social divisions and anti-globalization sentiments that threaten political stability, even in advanced economies. Meanwhile, leaders in emerging economies that could – and should – act as global growth engines nervously wonder if policies guiding the U.S. mega-economy and China’s state capitalism can really drive growth in a sustainable way.

Issues like these, I believe, are the real factors threatening order and stability in global politics and economies. This makes them management issues as well. Since the financial industry mirrors trends in the

Message from the CEO

real economy, institutions like MUFG face the consequences of forces beyond any one sector's control.

Our home market suffers from relentlessly depressed interest rates. Monetary policies of the Bank of Japan have dealt blows to financial institutions. Government-led economic stimuli to encourage businesses investment may have actually started to do the opposite. Household budgets are shrinking, pension funds are underperforming, and the earning power of financial institutions are in long, steady decline. Given the low-growth environment, it's no wonder that bankers worry about their financial broking capabilities, and that abiding anxieties have crept into the national consciousness.

Still, we do see at least one profound bright spot, domestically and globally: digital technologies. If managed wisely, their widespread use can be a powerful force to improve daily lives, invigorate industry, and uplift society.

They also pose challenges. While FinTech startups have grabbed the public's attention as a threat to the financial sector, the real threat will come from BigTech. As the giants that dominate e-commerce, search engines, and social-networking services bring their online expertise and enormous customer data to bear on financial services, revolutionary mega-platforms will emerge.

We have to step up to the challenge. First, we must accurately read the long-term trends destined to shape society in the coming decades. Second, we must immediately identify real-world problems we are certain to face as they arise from these trends. Third, we must solve these problems using our powerful core capabilities. And fourth, we must invest in readying our team for this changing and challenging landscape.

I am being realistic by saying we can set the agenda to accomplish all this. We have the resolve and resources to maintain a vibrant workplace, nurture our corporate culture, contribute to society – and support sustainable growth.

**CHANGE TO MANAGE CHANGE**

**Lessons from the recent past**

Our previous three-year business plan – launched in fiscal 2015 – made reforms to our businesses, capital policies, and governance systems, designed to counter ultra-low interest rates in Japan and the phenomenon of “secular stagnation” in economies around the globe.

What were the results?

In terms of financials, regrettably our net operating profits declined for three consecutive years and fell significantly short of targets. We also failed to meet key management goals for our earnings-per-share growth, efficiency ratio, and return on equity. This was due in part to the Bank of Japan's negative interest-rate policy, a plunge in energy prices, and stagnant global trade. Also contributing were a decline in market volatility, a surge in U.S. dollar funding costs, and limited liquidity.

Indeed, the list of negative factors is long. Declining interest margins at our domestic retail and corporate banking businesses made things even more difficult. So did restructuring our oil-and-gas-sector portfolio. Fewer major corporate transactions in East and Southeast Asia, a decline in yen trading revenue due to low market volatility, poor asset-liability management revenues, and rising U.S. interest rates also played a role. In addition, expenses for our human-resource and systems development projects to deal with tightened regulations in the Americas and Europe deteriorated our efficiency ratio.

So it's true we can point to a long list of rationales to explain our disappointing results. But the sobering facts remain: We're still not resilient enough to absorb adversity on a great scale, and we've been too slow to change. These are real reasons we performed poorly and failed to offset a declining top line.

We also have done some important things right.

Since we set out to develop a robust commercial

banking platform to serve ASEAN nations six years ago, the Bank of Ayudhya (Krungsri), a bank we acquired in 2013, has steadily grown and become one of Thailand's five Domestic Systemically Important Banks. Two other investments – Security Bank in the Philippines and Bank Danamon in Indonesia – helped lay the foundations of strong regional networks. Also, the turnaround of our Japanese subsidiary Acom into a consumer earnings pillar is almost complete.

In asset administration, we made multiple M&A deals and established the MUFG Investor Services brand. We are now globally ranked among the top ten financial institutions handling alternative fund administration of hedge funds and private equity. We also began integrating platforms of our banking and securities units associated with capital market and sales & trading. We reduced domestic expenses through a range of actions, including judiciously downsizing our workforce.

And regarding capital management, we bought back shares whenever possible and divested equity holdings ahead of plan.

We can also proudly make note of two other milestones. This autumn, we will celebrate the 10th anniversary of our successful strategic partnership with Morgan Stanley. And we recently strengthened our Board of Directors by welcoming two capable foreign nationals. I am gratified to say our Board is clearly moving closer to its vision of what it should become.

**Transitioning to a new business model**

In the summer of 2016, we launched Project Creare – Latin for “create” – deploying a team of young leadership talent representing the future of our company. We challenged them to start with a clean slate and create a new vision for MUFG as a future-facing enterprise. They explored how to remain resilient while facing drastic challenges in a mercurial environment.

Given that tough equation, they submitted a bold recommendation: Make fundamental reforms to our business model, by organizing ourselves into teams of colleagues drawn from across the enterprise whose common denominator is a shared customer. This led us to create a MUFG Re-Imagining Strategy and a new three-year Medium-Term Business Plan (MTBP) using what we call a “group-based approach.”

Our previous three-year plan fell largely short of its goals because we simply weren't equipped for change. Now we've come to accept that MUFG cannot grow sustainably with a traditional domestic commercial banking model and a conventional management structure. Confronting this inconvenient truth with clear eyes, we see the necessity – and wisdom – of structural reforms.

We envision three steps toward those reforms.

One, start with the customer when redefining a business segment.

Two, apply resources first and foremost in service to customers.

Three, keep priorities focused on high-potential sectors.

We know these reforms will require more than three years. So we've set a deadline a full six years out – extending three years beyond our new MTBP. The first three years will be devoted to preparing management and resources to execute the restructure.

We expect to be clearly on track but see only modest progress by the end of year three. By the end of year six, we will have established an entirely new model purposefully built to grow our domestic and overseas business.

We drew up three principles to help chart this journey.



Message from the CEO

### Three principles for a transformed organization

#### 1. Customers should define our business segments

The nearby chart categorizes Japanese Customers, Non-Japanese Customers with subsections of Retail and Small-to-Medium Enterprise (SME) Businesses and Wholesale Banking Businesses. Within this context, MUFG Group now has six business groups.

Two remain unchanged – the Asset Management & Investor Services Business Group and Global Markets Business Group – so I will focus here on the four we’ve newly defined, the Retail & Commercial Banking Business Group, Japanese Corporate & Investment Banking Business Group, Global Corporate & Investment Banking (CIB) Business Group, and Global Commercial Banking Business Group.

We are taking on challenges in Japanese retail and commercial banking. Our banking arms – with a base of 34 million individual customers and 1.3 million corporate clients – need to break away from the

conventional deposit and loan revenue-dependent business model. They also need strategies to offset legacy costs. Our recent integration of retail and commercial business was designed to address these issues by making it easier to reach out to business owners whose unique service needs have fallen in gaps between segments.

We’ve divided our overseas banking operations – previously centered on the Global Banking Business Group – into the wholesale banking business and retail and commercial businesses.

Wholesale banking has been a strength in our global expansion. In fact, after the worldwide recession triggered by the Lehman Brothers bankruptcy forced European and U.S. financial institutions to reduce their balance sheets, MUFG stood strong. We increased share of corporate lending, and earned a solid reputation in the U.S. and throughout Asia as the largest foreign lender.

But lending has become less profitable because of higher funding costs, especially when using yen

converted into foreign currencies. Tighter liquidity and regulations are also forcing financial institutions to set aside greater liquidity reserves. So we are pivoting from a lending business aimed at quantity to one focused on quality.

Meanwhile, retail and commercial businesses are growing. In addition to serving four ASEAN nations, we expect to build a robust global commercial banking platform encompassing the Asia-Pacific regions, collaborating with MUFG Union Bank on the U.S. West Coast. We believe these businesses can eventually grow into our largest customer segment but are approaching this prudently, because emerging markets can be fragile in stormy conditions.

#### 2. Customers come first when applying our resources

The second step in our transformation is a structure that allows us to optimize resources. Typically described as being “efficient and effective,” this means visibly bringing as much possible benefit of every resource to the attention and service of customers. To do this, we are shifting to a “product-

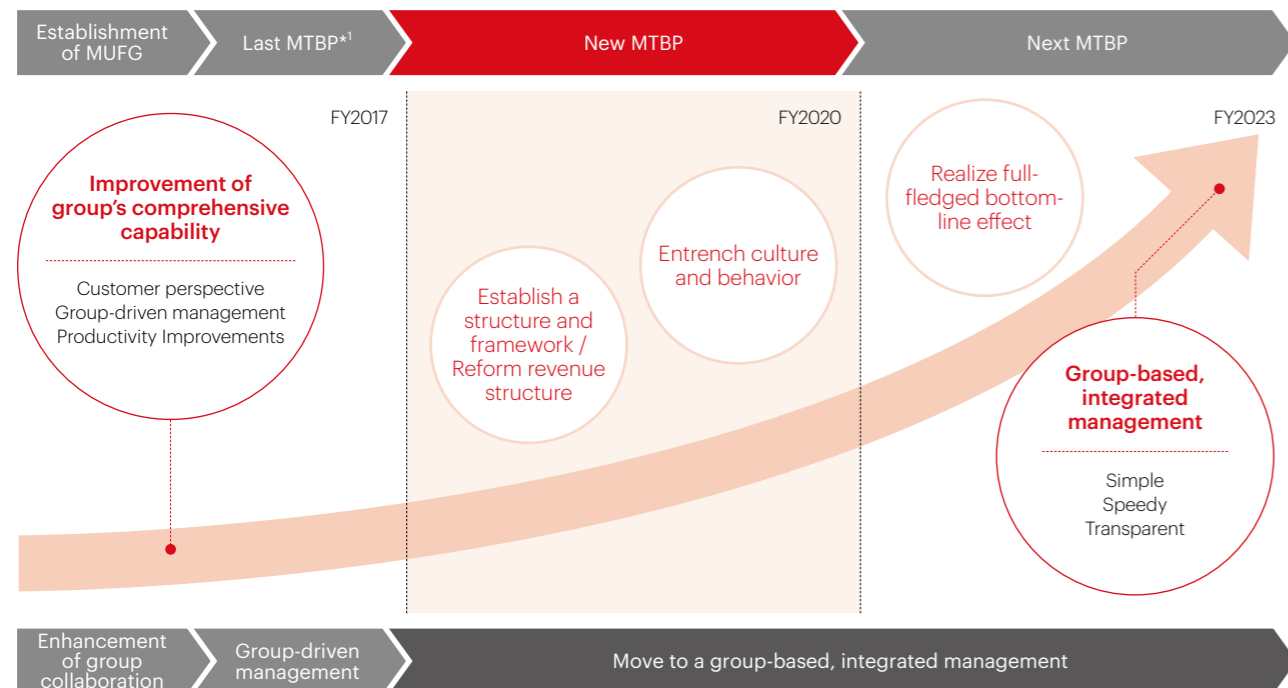
and entity-neutral structure,” meaning resources across MUFG are freely available to units in every business group.

For example, we recently integrated the corporate lending and relevant operations of the Bank and Trust Bank – a major step in across-the-board functional realignment. We intensified the integration of corporate center functions at the holding company and the Bank, and are now extending it to the Trust Bank and Securities businesses. And we’ve created the new position of Chief Operating Officer-International (COO-I) to manage our overseas business platforms, reduce their costs, and retire investments that have accomplished their missions.

#### 3. Keep priorities focused on high-potential sectors

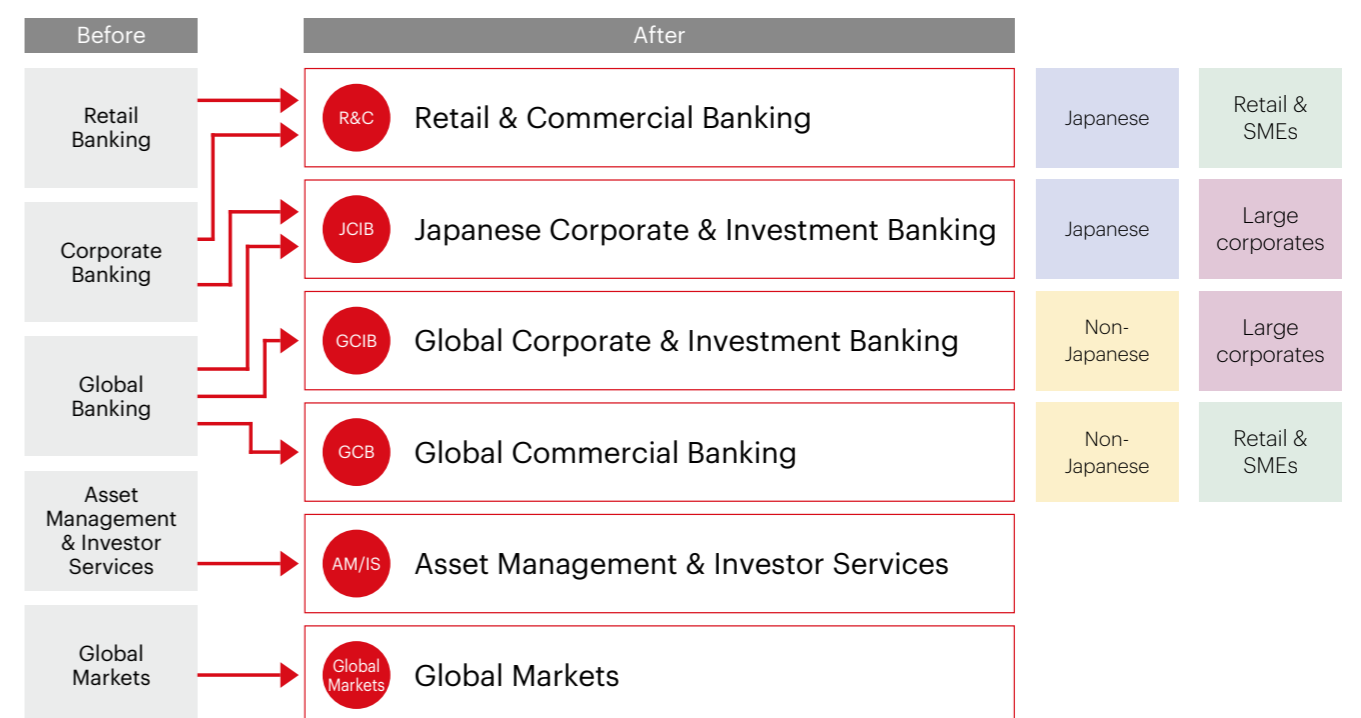
The third transformative step is to focus on sectors with high growth potential where MUFG can fully exert our core competencies. We’ve identified eleven priorities to accomplish this. I want to quickly highlight eight that are closely associated with our key fields of business.

#### Time line



\*1 Medium-term business plan

#### Reorganization of the business groups



Message from the CEO

Priority: Digital Technology. This is critical to all business units. As I mentioned, financial institutions face an emerging threat from BigTech and startup digital players invading our sector. They have certain advantages. Startups are unhampered by legacy costs; and BigTech has scale, infrastructure, and reach. But digital technology – in conjunction with external partners and customer big data – can also strengthen us, building marketing and consulting capabilities, and developing payment and financing businesses. This will increase our transaction volume and earning power. Technology can also make our operations more efficient. It can renovate our online banking services, dramatically reduce administrative tasks at the counter, allow digital sales and service for residential mortgage loans, and apply robotic process automation and artificial intelligence to handle routine administrative tasks. We expect applications of this sort to cut 30% of our domestic workload at MUFG Bank.

Priority: Sales Channel Strategy. In Japan, we will use digital technology and process re-engineering to make the customer's life easier and make us more efficient. For example, our online banking services will become more user-friendly and mark a massive shift from physical branches to virtual sales-and-service channels. We will launch next-generation services while streamlining our branch network – and we're advancing a blended model that offers a range of Bank, Trust Bank, and Securities services located at shared locations. In short, we will boldly transform our sales channels.

Priority: Wealth Management Strategy. In the past, we've served wealthy clients through three separate entities – the Bank, the Trust Bank, and the Securities. Now, these three entities will work together on one cohesive platform to serve this key clientele. We will also take a new approach to sales, emphasizing fiduciary duty and assets under management to ensure a stable, resilient revenue structure. We will offer high-end customers a variety of services delivered by highly skilled staff from the three entities, under the new brand name MUFG Wealth Management. These professionals will provide one-stop services in a private-banking business model

unique to MUFG.

Priority: New Model for Wholesale Banking in Japan. We've created a new team by integrating our domestic wholesale corporate lending and relationship manager units at the Bank and Trust Bank – to work together as one. A select group of relationship managers will assist corporate clients, while product office units associated with the real estate business, pension service, corporate agency, and investment banking functions will hone their specialist skills. Performance reviews will be based on consolidated MUFG profits, an incentive for entity- and product-neutral cross-selling.

Priority: Real Estate. In Japan, the Trust Bank has a license as a real-estate broker, a unique advantage that can be shared across MUFG: unlocking value throughout the chain of real-estate transactions. This includes property appraisals, tenant leasing, custody, asset management and brokerage, and property management – all opportunities for new business for individual and institutional funds, developers, and even foreign investors. As part of an overall asset-management approach, we will establish private real-estate investment trusts (REITs), which can be linked with MUFG's own corporate real estate (CRE) assets.

Priority: Asset Management in Japan. Our previous MTBP revealed weaknesses in our abilities to develop certain new products. We corrected this in our new plan, which emphasizes competitive products and expanded lineups in Japan, and enriches our pool of human resources to support them. Specifically for this reason, we recently established the Investment Products Planning Division under the holding company. Overseas, we will continue to work hand-in-hand with existing investees to optimize potential and, for investment and acquisition, focus on candidates specializing in fields of high growth.

Priority: Institutional Investors. We have placed institutional investors alongside individual customers, Japanese corporations, and non-Japanese corporations as a fourth customer segment. In the past, our services to these investors have not been well-coordinated. Our new structure will facilitate

collaboration and cross-selling among the Bank, the Trust Bank, and the Securities and three business groups – Global CIB, Global Markets and Asset Management & Investor Services. This will allow us, for example, to build capabilities as a comprehensive debt house with products tailored to institutional investors and asset managers.

Priority: Global CIB. This group, which handles wholesale banking for non-Japanese corporations, is breaking away from a conventional lending-centered, balance-sheet-dependent business model. It will curb growth in risk-weighted assets and optimize its portfolio by divesting low-profitability lending. It will begin handling collateralized loan obligations, commercial mortgage-backed securities, high-yield bonds, aviation finance, and other products in highly profitable asset categories.

Indeed our colleagues, our communities, and even our cultures have different ideas on what it means to prosper.

But we can all try to agree, even if not to-the-letter, on some fundamental measures. This is the spirit that created the seventeen United Nations Sustainable Development Goals (SDGs) – and their Environmental, Social & Governance (ESG) criteria. It is also the spirit that drives us to honor them.

We believe all businesses are called upon to strengthen society by contributing to its well-being through service to customers, communities, and colleagues.

The financial industry in particular has a duty to be a bastion of infrastructure by providing funding – essentially, society's lifeblood. We consider ESG duties integral to our day-to-day operations and activities across the board.

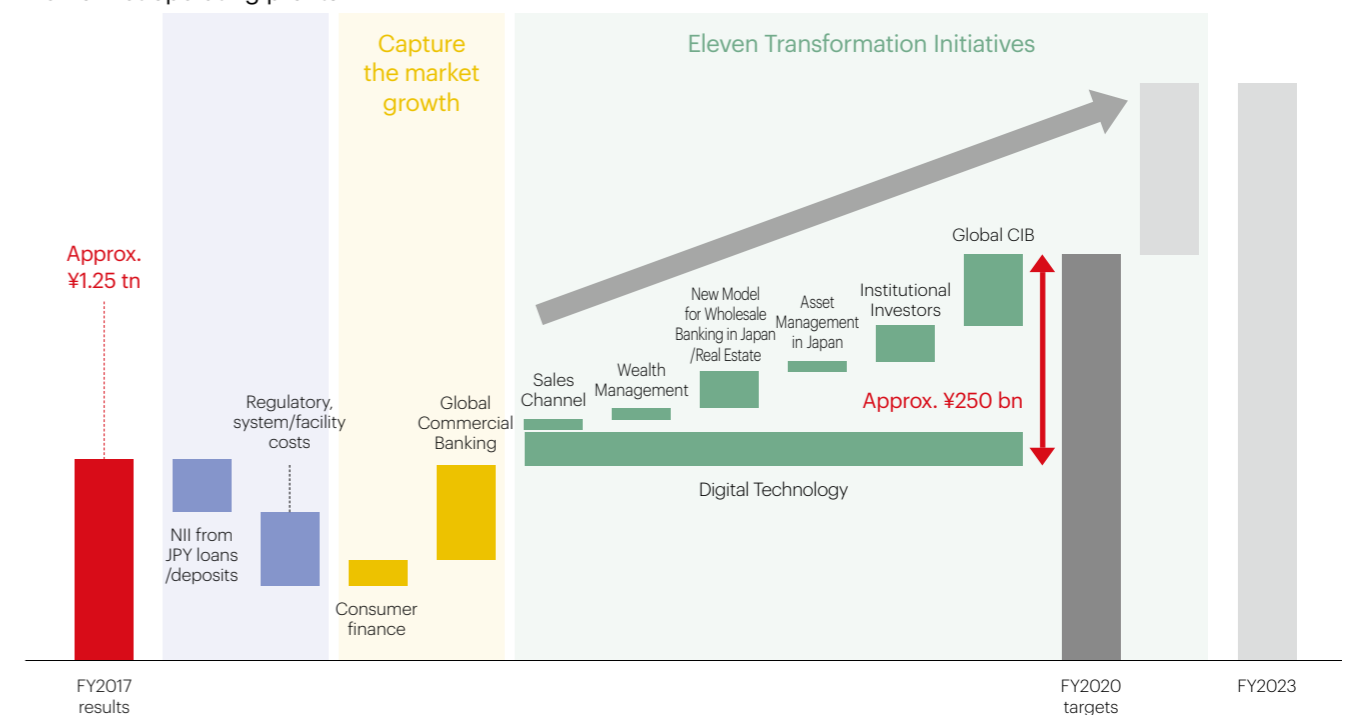
This philosophy has been passed down to us by our predecessors, the founders of today's core MUFG Group companies, whose individual histories can

A DEEPER PURPOSE

Environmental, Social & Governance criteria

In our pursuit of prosperity for customers and clients, we know success can be measured in many ways.

Plan of net operating profits



## Message from the CEO

extend back a century or more. It's part of our culture – both corporate and national – and we have always abided by it in our own way.

But in 2017, the MUFG Board of Directors applied new discipline to how we approach ESG criteria. This led us to codify our stance on these criteria, to conform with international standards and ensure that our ESG-related initiatives and disclosures are comprehensive, compliant, and clear.

The specific SDGs we wish to prioritize at MUFG include financial innovation, global warming & climate change, business incubation & job creation, social infrastructure & town planning, and an aging population & low birth rate.

These priorities are now incorporated into the strategies and policies of each business group. MUFG also welcomes stakeholder dialogue and direct feedback, while our Board monitors progress on initiatives alongside our company's management committees. In business terms, we are operating a Plan-Do-Check-Act – or PDCA – cycle geared for real improvement.

During this process, we reviewed, consolidated, and fortified a number of ad-hoc policies developed over time, and unified them into three official documents released this year – our Environmental Policy Statement, our Human Rights Policy Statement, and our Environmental and Social Policy Framework.

**Human Dignity.** Our Human Rights Policy Statement certifies MUFG's support of the Universal Declaration of Human Rights and the Guiding Principles on Business and Human Rights. It also defends human dignity by holding our suppliers and clients to standards protecting the rights of their workers.

**Environmental Stewardship.** Our Environmental and Social Policy Framework specifies cluster-bomb manufacturing as a type of business MUFG will never finance. It also mandates rigorous due diligence whenever we contemplate providing services to such businesses as coal thermal power generation.

In the renewable-energy sector, MUFG has built a noteworthy track record, part of our pledge to support countermeasures to global warming and climate change. In fact, MUFG is a pioneer in project finance for solar, wind, and geothermal power generation. In fiscal 2017, we occupied first place on the Asset Finance Lead Arrangers league table that ranks financial institutions serving as lead arrangers in financing for renewable energy projects. Securing this position for a second consecutive year, MUFG is demonstrably helping popularize clean energy on a worldwide basis.

We are also committed to abide by Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

**Social Responsibility.** MUFG focuses on social initiatives tied to our core competencies, such as financial innovation, business incubation, job creation, population aging, and low birth rate.

Digital technology plays a part here, too. Successful innovation in financial services depends largely on IT, and we are involved in a wide variety of innovations in various technological fields to benefit society, from novel financial profit-making endeavors to operational platforms boosting productivity. We also are skilled in planning financial services to support Industry 4.0 and Society 5.0 – conceptual work aimed at industrial and societal reforms – and designing infrastructure to support them. This includes MUFG Coins – digital currencies using blockchain technologies – to support the IoT and shared economies, and to help regional economic zones flourish.

Other initiatives involve blockchain digital-payment services for swift low-cost transactions, co-developed with U.S.-based Akamai Technologies, Inc., and encouraging FinTech startups to use our open Application Programming Interface (the set of programming instructions and standards for accessing our software applications) to develop their ideas.

We believe our fundamental mission as a financial



institution is to help clients and customers grow and protect their financial future. This informs our involvement in business incubation and job creation. It transcends financial services by helping clients find potential business partners among our vast customer base. In this prolonged low-growth economic environment, for 13 years we've organized business-matching events to make connections among SMEs and innovators seeking collaborators. These events have led to 87,000 successful business matchups involving 40,000 companies. And to nurture startups, we host "Rise Up Festa" events and joined with U.S.-based Plug and Play, LLC to operate the Accelerator Program that supports FinTech ventures.

We are also determined to help the Japanese people solve financial problems arising from the nation's declining birth rate and aging society. To help young people secure their future – and to relieve the public-pension burden to some degree – a thoughtful long-term investment strategy is essential.

As a major distributor of investment products in Japan, we're committed to fulfilling our fiduciary duty to individual customers, helping them build stable long-term assets. We're equally committed to

educating all who seek to secure their financial future by offering financial-literacy and other outreach programs.

And as one of the largest domestic asset managers, we offer sophisticated but simple-to-use investment tools for investors, and we are always guided – in spirit and in concrete policy – by full compliance with the code of stewardship that anchors our business philosophy.

### MAPPING OUR JOURNEY: A VOYAGE, NOT A DESTINATION.

## Governance issues

Our continuous drive to elevate the company's governance system derives from a conviction that it's a matter of substance, not formality. We have seen too many cases of respected brands damaged – deeply and quickly – when their seemingly sophisticated governance systems failed to prevent or detect some spectacular misconduct.

We also believe governance is a voyage, not a destination. With this in mind, over the past several years MUFG has worked to fortify the function of its Board of Directors, by increasing the number of



Message from the CEO

outside directors, shifting to a “company with committees” system, and appointing a Lead Independent Outside Director. This ensures that our Board and its committees can freely engage in meaningful, candid, in-depth discussions of management issues.

Recent MUFG governance changes include last year’s appointment of two foreign nationals as independent outside directors. Considering the global nature of our business – with overseas operations accounting for around 40% of our revenues – this was a welcome and relevant enhancement. Employees outside Japan also compose about 40% of our workforce, and overseas shareholders account for about the same percentage. So clearly we need a Board that reflects our increasingly diverse base. Appropriately, our two new outside directors are from the U.S. and Thailand, countries where MUFG has strong local subsidiaries that contribute substantially to our global presence.

This year, we reduced the number of executive directors, and we now have a total of fifteen directors, with independent members in the majority. This enhances the Board’s supervisory function over management.

Strong internal controls are also critical, including risk management and compliance. Key issues include volatility triggered by central banks’ strategic shifts on monetary policies, and significant trade or geopolitical events. We pay close attention for signs of a turning point in the credit cycle. And we apply increasingly sophisticated risk-management tools when we undertake new types of credit business and expand our foreign currency-denominated liquidity, and upgrade our cyber-security measures.

We are also alert to new international compliance and regulatory developments and stay fully responsive to regulations wherever we do business. For instance, Basel III reforms are almost finalized but the Fundamental Review of Trading Book (FRTB) is not. Regulatory trends, which of course we track with great care, suggest that financial institutions may need to take additional measures such as

establishing intermediate holding companies (IHCs) and ensuring that their overseas branches meet local legal business requirements. Given the growing complexities of global financial regulations and local laws, we take strong measures to ensure our business conduct complies with the highest ethical and legal standards. We also allocate considerable resources to countermeasures against financial crimes.

Ultimately, though, our business conduct depends on our corporate culture. Clear messages about the high standards we are duty-bound to uphold must be communicated sincerely and passionately from top management to frontline colleagues. We need ongoing employee education programs, and message-cascading mechanisms, so everyone throughout the organization is well-versed on key information. And to emphatically underscore how important conduct is, we calibrate our job-performance evaluations to strongly encourage robust compliance and discourage fraudulent activity just as strongly.

**My leadership mission**

The success of every initiative I’ve mentioned hinges on the dedication of our 150,000 colleagues in 50 nations who compose our worldwide team. Simply put, our success depends almost entirely on them.

Therefore I consider stewardship of our greatest resource – our human resource – one of my highest duties, and I view it through three lenses.

**1. Promoting Workforce Diversity**

Diversity adds power to an organization only when tied to inclusion. Each individual has unique qualities and characteristics – and that distinction is valuable, particularly when multiplied 150,000 times. Different viewpoints and opinions can cause friction among people, but it’s essential to share them. Suppressing differences defeats diversity’s purpose. Harnessing them can energize a small team or an entire organization and spark innovative solutions.

At this point, please allow me to directly address our

colleagues for a moment.

Right now, MUFG is poised to enact profound reforms. That means that right now, we need free exchange of ideas more than ever before. We all need to step away from conventional thinking and help create a workplace with an open, interactive atmosphere. This is how ideas and new insights arise to guide us.

Our 150,000 colleagues around the world are quite diverse in gender, race, religion, age, and orientation. In the U.S., Europe, and at partner banks in Asia, our organizations are operated by colleagues – including C-Suite leaders – who reflect the regions’ broad diversity.

Our Japanese workforce is lagging behind, however. For instance, the percentage of women in management positions remains at 20%. This year, we’ve only managed to increase the number of female directors and executive officers to four. That’s progress, but it’s small and too slow. On the positive side, our Board now includes three women among our eight independent outside directors.

Considering all factors, I think our diversity initiatives over the past ten years are starting to deliver results. We will continue to set higher targets and work hard to reach them – building that 20% number closer to 30% over the next six years, for example, by helping women chart career paths and bolstering our mentoring programs.

**2. Nurturing Next-Generation Leaders**

It is a simple fact that every CEO, no matter who or where, has a duty to identify and develop talent to assume the helm, sooner or later. At MUFG, we expect leaders to protect our legacy and nurture our future talent while doing their utmost to fulfill our business mission. Their role is like a relay racer’s – combining running ability with baton-passing skills. Both qualities are essential.

MUFG also has a distinct tradition of succession - each new leader has had viewpoints and characteristics in unusual contrast to his

predecessor. (I hope for a great day when the previous phrase might just as well say, “in contrast to her predecessor.”) This is a tradition we should preserve. It’s a strength.

But systematically nurturing talent to meet all these criteria isn’t easy. For several years, our Nominating and Governance Committee has discussed this issue and developed CEO succession plans for the holding company, the Bank, the Trust Bank, and the Securities.

In 2017, we began placing more formal emphasis on identifying and developing next-generation leaders earlier in their careers. This led to establishing MUFG University this year, to prepare succession candidates for near- and long-term horizons and different management levels. Its curriculum includes management skills as well as a liberal-arts education that incorporates cross-cultural studies to instill a broad, open perspective.

**3. Guiding How Digital Technologies Change Our Work Styles**

In the best-seller *Race Against The Machine*, the author makes a case that intelligent machines will someday replace humans in the workforce. Meanwhile today, advances in artificial intelligence, robotic process automation, and other digital technologies are prompting lively management discussions about how technological trends are changing how humans work. In Japan, “work style reforms” are part of the national conversation, within the context of an aging society with a low birthrate.

In 2017, I announced a six-year plan to automate some of our domestic banking operations, reducing the human workload by roughly 30% – equivalent to 9,500 employees. I’ve been flooded with mixed reactions from colleagues and external observers ever since. Some have doubted the plan’s feasibility. And most colleagues are understandably anxious about their own futures.

But there’s no escaping the fact that digitalization is destined to improve productivity across all industries. At MUFG, we have identified and specified almost

## Message from the CEO

every task and function subject to automation throughout the organization – and we’re developing a detailed staffing schedule to ensure a smooth switchover in each case.

I take the position that digitalization of routine tasks will lead to more flexible work styles and creative jobs for people – provided they’re open to learning new skills. For this to work, all managers, myself included, must provide education, skill training, and new opportunities. Then, colleagues must accept the challenge and take the initiative to forge a path to new job satisfaction.

### Enhancing Shareholder returns

Obviously, financial targets and capital policies are key topics as we establish a new sustainable business model – it’s our fundamental duty to deploy the capital our shareholders entrust to us as effectively, efficiently, and responsibly as possible. We follow three metrics to assess our performance: efficiency ratio, return on equity, and common equity tier 1 capital ratio.

As described earlier, we’ve designated the three-year span of our new MTBP as a time to start making drastic structural reforms – a period of intense “heads-down” focus. In the short term, we expect only limited improvement to our ROE and efficiency ratio, even with a likely upturn in operating income.

Still, we’ve set mid- and long-term targets of approximately 9% to 10% for ROE and 60% for our efficiency ratio. This is based on our confidence in our new business structure and lower risk profile.

After we announced our upgraded capital and shareholder-return policies in May 2018, I received a variety of comments and questions from shareholders. Although our CFO provides a detailed discussion of these matters on the following pages, I want to summarize MUFG’s stance with these three points:

(i) We will maintain our basic policy for capital management and strive to strike an appropriate

balance among maintaining solid equity capital, making strategic investments for sustainable growth, and enhancing shareholder returns. We are also determined not to carry over capital surplus and to maintain a tight grip on capital policy.

(ii) We will place great emphasis on paying dividends as a vehicle for shareholder returns. Although MUFG continually repurchases shares, our dividend payout ratio has remained relatively low. Looking ahead, however, we will strive for steady, continuous increases in dividends per share, targeting a dividend payout ratio of 40%.

(iii) We will engage in share repurchases in a more flexible manner, giving due consideration to our performance, capital status, and opportunities for growth investment, as well as stock prices and other market conditions.

We intend these capital policies to enhance shareholder returns and help fulfill expectations of our investors.

### Reflections

It’s been ten years since the worldwide recession was triggered by the Lehman Brothers bankruptcy. As the crisis unfolded, I observed how financial institutions around the world reacted, each making different decisions on how to avoid fallout – then facing different consequences.

This experience drove home the importance of the following three lessons. First, a financial institution must remain true to its core competencies. Second, it must lay out clear strategies attuned to the dynamics driving industrial and societal changes. Third, when action is necessary, it is leadership’s duty to enact it as swiftly as possible.

I’m grateful for the valuable lessons my predecessors have passed down by example. However, I wonder if the current adversities are even greater than those in the past, including in 2008. Ours are not cyclical in nature. Instead, they are arising from irreversible structural changes. Our response to these challenges

must therefore be bold, with deep reforms based on clear-eyed reality. That’s why we launched initiatives this year aimed at re-imagining MUFG – a goal we clarified by formulating an MUFG Re-Imagining Strategy.

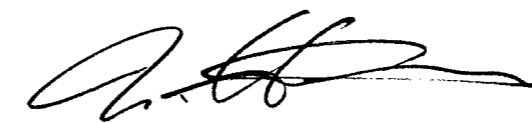
Our long voyage toward transformation has just begun. I am almost certain it will involve treacherous passages, rough seas, high winds, sudden squalls and major storms. But we must keep true to our course – especially through rough weather. A successful voyage requires a crew willing to act as one. So often, challenges are rooted in some inconvenient truth that everyone sees but no one mentions – they’re afraid to speak up. That is a toxic environment. We all need the freedom to share what’s really going on, and the power to make

changes shoulder-to-shoulder with our fellow crew. Once we absorb this mindset into our culture, solutions will be clearer and actions swifter. This is exactly what I mean when I say we need to embrace management methods that are “simple, speedy and transparent.”

We are the change agents as one of the world’s leading financial institutions is making a fresh start. That in itself is very exciting – and the results will be, too. By re-imagining our place in the world and executing concrete initiatives, we are transforming our enterprise to earn and deserve a reputation as the world’s most-trusted financial group.

We ask your continued support as we reach for our goal.

July 2018

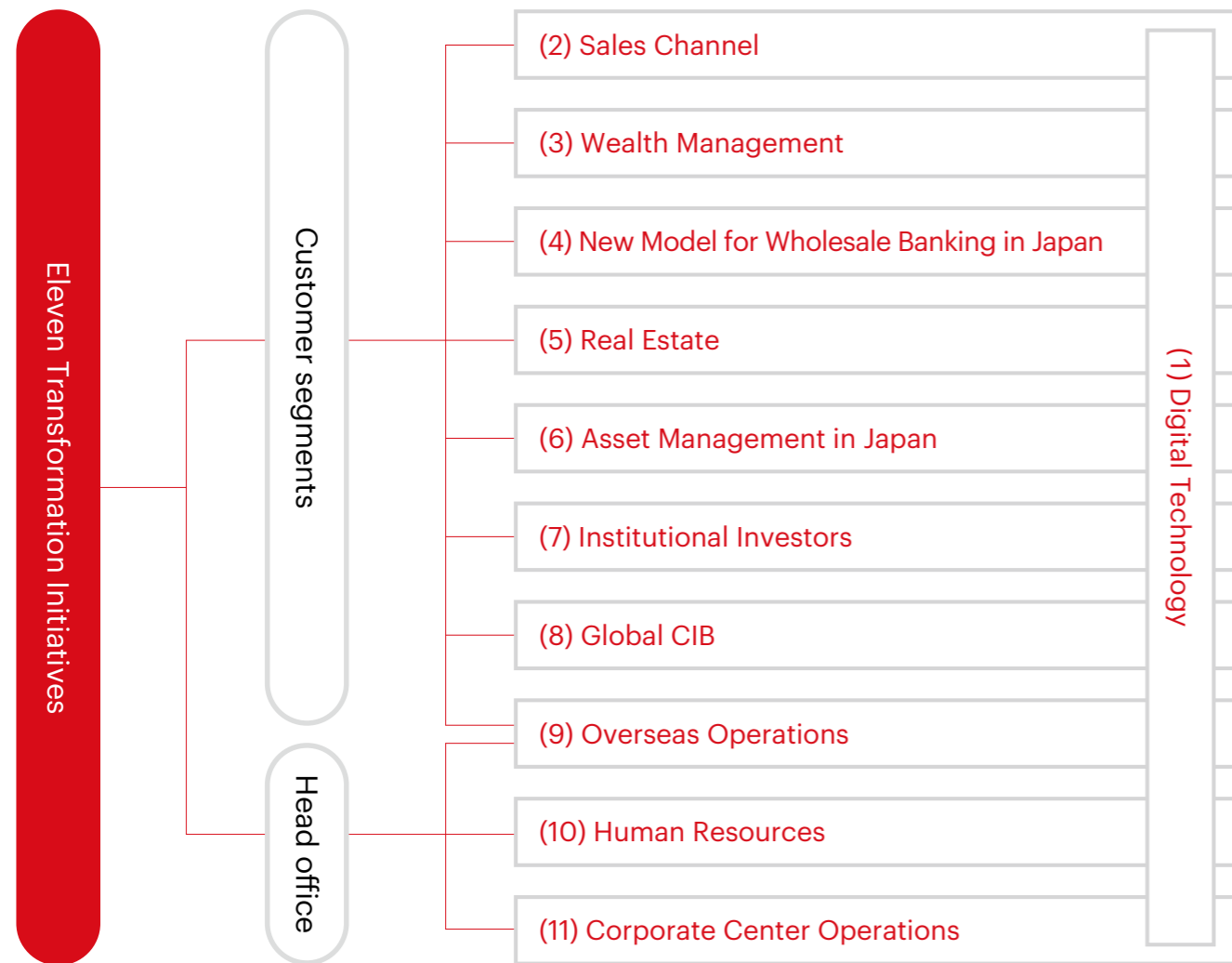


**Nobuyuki Hirano**  
President & Group CEO

# The New Medium-Term Business Plan—Eleven Transformation Initiatives

Under the new medium-term business plan, we have outlined the Eleven Transformation Initiatives, which are specifically designed to help MUFG weather a difficult business environment and get back on a sustainable growth track. Each initiative shares the following features: (1) a large growth potential, (2) the power to enable MUFG to demonstrate its capabilities and (3) the promise to become a main MUFG business, or a support function of a main business.

We are aiming for growth of approximately ¥250 billion in net operating profits, with MUFG Group companies, business groups and the corporate center working as one to push forward with these initiatives.



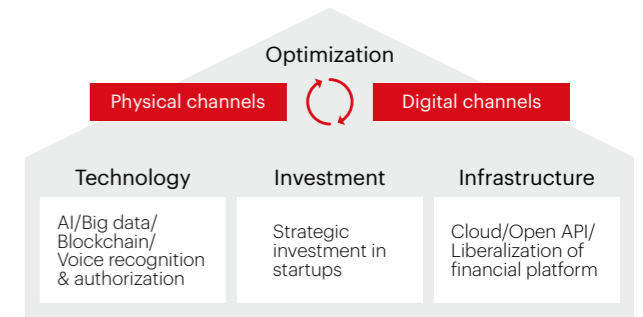
## (1) Digital Technology

### Utilize Digital Technologies to Drive Strategic Reforms across the Board

Today's customers are increasingly choosing alternative banking transactions methods. With the growing popularization of smartphones and other digital devices, the number of customers who prefer online settlement is growing, while the number of those who regularly visit bank branches is decreasing.

In response, we are striving to utilize digital technologies to provide customers with diverse lineups of highly convenient transactional channels that allow them to choose the one best for them. At the same time, we expect these technologies to help us reduce workload and improve productivity while facilitating the expansion of online transactions and the creation of new businesses. Our digitalization strategies are thus intended to boost our overall business profitability.

Enhance convenience	Reduce workloads	Improve top-line
Encourage customers to use internet banking (IB) <sup>*1</sup>	Reduce transactions being processed at bank counter	Increase the volume of online settlements
Improve UI/UX <sup>*2</sup>	Shift work at operation centers into digital	Digitalize market transactions
Upgrade functions		Create new businesses



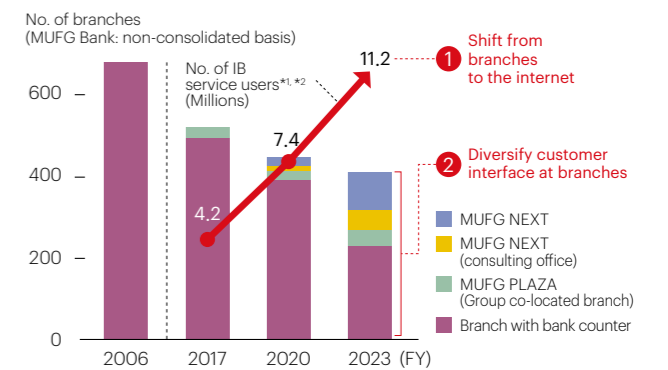
<sup>\*1</sup> Mitsubishi UFJ DIRECT: Internet banking for individual customers  
<sup>\*2</sup> UI: User interface; UX: User experience

## (2) Sales Channel

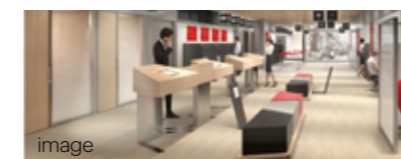
### Upgrade Our Channels

By enhancing user-friendliness and online transaction functions, we will facilitate a shift from “real” to “online” channels. This will, in turn, help us optimize both face-to-face channels and non face-to-face channels. Specifically, we will diversify the face-to-face channels operated by branches and, to this end, offer a wider variety of options and types of transaction to meet customer needs. These options will include MUFG NEXT branches that offer customers access to easy-to-operate terminals and thereby accommodate needs for even quicker and more convenient banking services as well as MUFG NEXT consulting offices that provide face-to-face consulting services. Furthermore, we will establish MUFG PLAZA, a blended model that offers a range of Bank, Trust Bank, and Securities services at shared locations.

For more details of non face-to-face channels, please also see page 28.



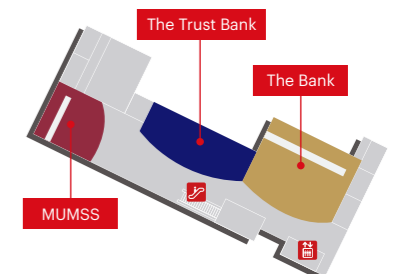
<sup>\*1</sup> Mitsubishi UFJ DIRECT: Internet banking for individual customers  
<sup>\*2</sup> The number of DIRECT users = the number of active accounts (excluding accounts used only for bank transfers) that have been logged into by users at least once in the last six months



**MUFG NEXT**  
 New EXperience Together  
 —Create a brand-new UX with customers—



**MUFG NEXT**  
 Consulting office



**MUFG PLAZA**  
 Group co-located branch



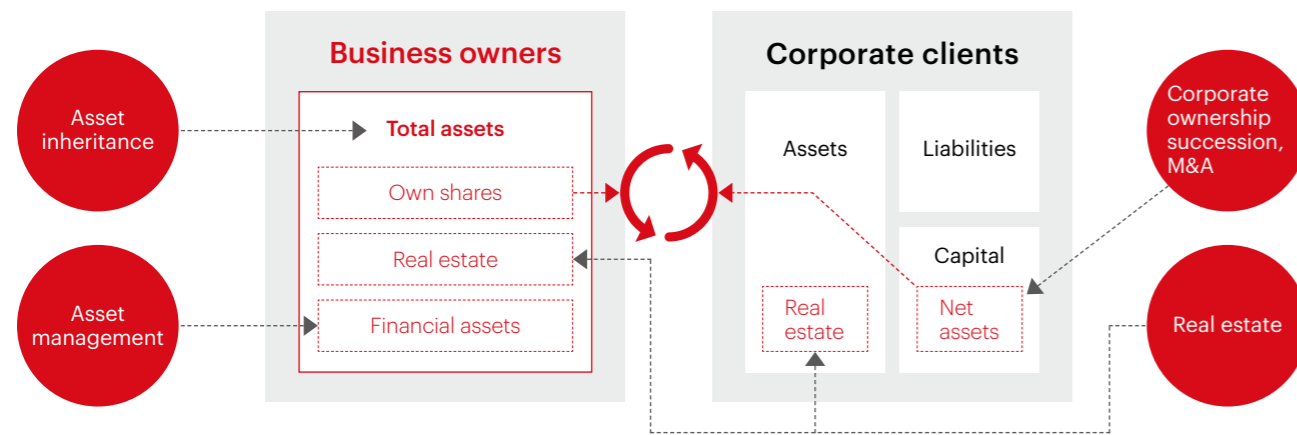
The New Medium-Term Business Plan—Eleven Transformation Initiatives

**(3) Wealth Management**

With the integration of the retail and commercial banking units, as well as a “group-based, integrated approach” taken by the Bank, the Trust Bank and the Securities, we can support rising customer needs for asset management and inheritance services. This is an important consideration for Japan’s aging, low-birthrate society. Additionally, we will strive to

establish a consistently profitable business structure by focusing on fee-based asset management. Professionals of the Bank, the Trust Bank and the Securities will develop and implement a business model that seamlessly provides various business solutions.

Our approach to individual customers (business owners) and corporate clients



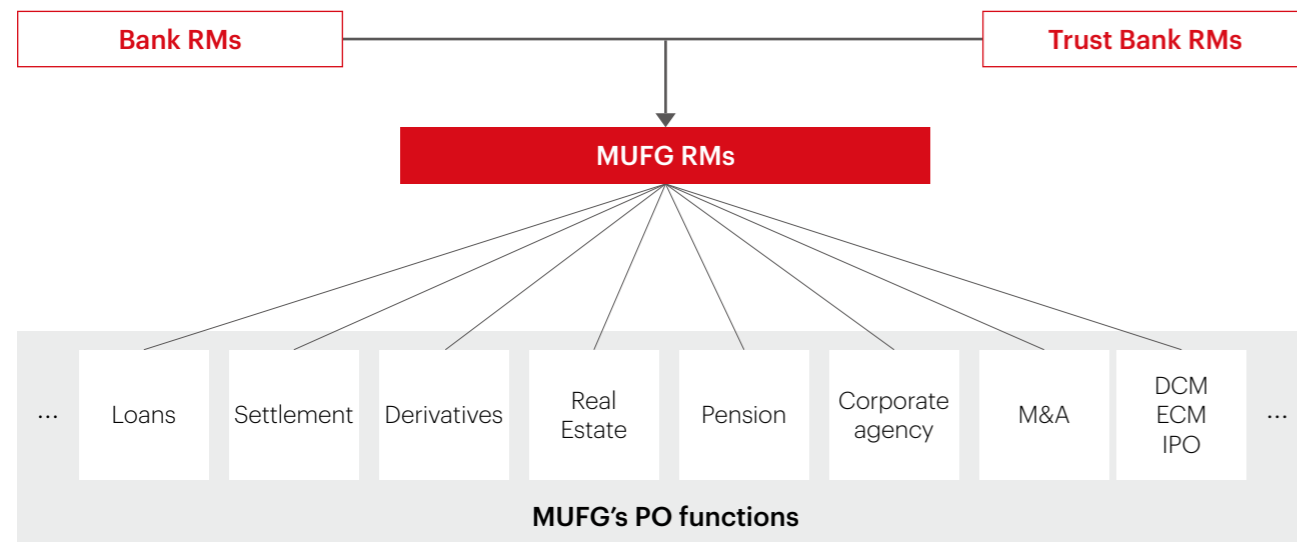
**(4) New Model for Wholesale Banking in Japan**

In implementing restructuring measures by business function, the corporate loan businesses of the Bank and the Trust Bank have been consolidated. Additionally, the RMs<sup>1</sup> are now referred to as “MUFG’s

RMs”—those who itemize customers’ business issues. Meanwhile, the PO<sup>2</sup> will extend its expertise, providing optimized solutions for customer needs.

<sup>1</sup> Abbreviation for Relationship Managers, in charge of sales.  
<sup>2</sup> Abbreviation for Product Office, namely, business units and staff in charge of the planning, development and the provision of products and services

RM/PO model



**(5) Real Estate**

The Group, in an integrated and continuous manner, provides solutions to satisfy various customer needs with regard to the real estate value chain.\* Branches will assess customer needs and collect extra information so that it can be maximized to enhance brokerage businesses and asset management businesses, adding more value.

\* The course of business regarding real estate from “sales” to “development” to “tenant leasing” to “asset management.”

**(6) Asset Management in Japan**

We will offer asset management services to our customers on an integrated groupwide basis. We will develop competitive products, supply a full product lineup, and expand our talent portfolio to support these moves. Additionally, we will upgrade our asset management business by pushing to be a more globally recognized industry player and by enhancing our talent, products and solutions.

**(7) Institutional Investors**

We will provide a wide range of services to satisfy various professional needs for asset management on an integrated groupwide basis, while extending business relationships with the institutional investors of each legal entity and business group across the Group.

**(8) Global CIB**

In order to realize the sustainable growth of the Global CIB\* business, we will respond to the needs of global corporate customers and improve portfolio return by constantly recycling loan assets, etc. In addition, we will be shifting value to “quality” over “quantity” through origination and distribution under the integrated platform of banking and securities functions.

\* Abbreviation for Corporate and Investment Banking. This business consists of traditional corporate banking (e.g. deposits and loans) and investment banking (e.g. capital markets and M&A etc.) and provides sophisticated financial services.

**(9) Overseas Operations**

We will shift our business focus from “region-/legal entity-based” to “customer-/business-based,” and reinforce business-driven operations across the Group. Our global branch network will also be upgraded, centralized, and standardized for business administration and systems in order to establish a structure to flexibly address environmental changes.

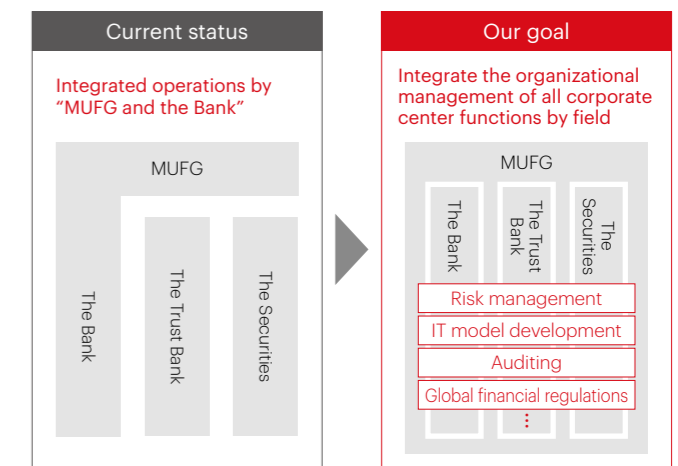
**(10) Human Resources**

In addition to the acceleration of personnel allocations and transfers across the Group to drive our strategy, the new HR Division will be set up to manage domestic and international HR operations, creating a globally integrated HR capability.

For more details, please also see pages 82 to 85.

**(11) Corporate Center Operations**

The Corporate Center function will be reorganized from integrated operations by “MUFG and the Bank” to that of “MUFG, the Bank, the Trust Bank and the Securities” to effectively take advantage of our business resources on a groupwide basis. This move will also help us improve the sharing of specialist knowledge and know-how among Group entities, thereby boosting our corporate center functions.



5 Financial Innovation

# Digitalization Initiatives

MUFG boasts extensive expertise in the financial business and over time has built a reputation for trustworthiness. Bringing together these strengths with cutting-edge digital technologies as well as innovative ideas and services offered by FinTech startups, we will create next-generation financial services that boast superior customer convenience and are more secure. Through these initiatives, we will also strive to deliver solutions for various issues society is now confronting, including those that cannot be resolved by financial institutions alone.

## Improving UI/UX of Mitsubishi UFJ Direct

At MUFG Bank, we are stepping up efforts to improve UI/UX and expand functions of our “Mitsubishi UFJ Direct” internet banking service for individual customers. For example, our plans call for incorporating fingerprint and other biometric authorization systems into Mitsubishi UFJ Direct smartphone apps in addition to providing users with access to up to 10 years of transactional banking statements via this service.

## End-to-End Paperless Procedures for Opening Accounts kabu.com Securities Co., Ltd.

kabu.com Securities offers end-to-end paperless procedures for customers wanting to open new accounts. These procedures require only government-issued individual number cards and NFC\*-equipped smartphones. As of June 2018, some Android smartphones can be used for these procedures.

Compared with conventional procedures that require customers to deal with physical documents posted to them, the new streamlined procedures make opening accounts much faster.

\* Near Field Communication

## Initiatives toward Realizing the Practical Use of MUFG Coin

### Expanding the Scope of In-House Verification Testing

Discussions are now under way at MUFG Bank to publically issue MUFG Coin, a digital currency employing blockchain technologies. This project

aims to provide a new financial infrastructure that transcends the conventional boundaries of transfer and settlement services.

We have also, conducted verification testing of payment via on-premises convenience stores and a café that uses MUFG Coin settlement accessed via a scanned QR code, with an eye to realizing the practical use of these currencies in a wider society.

### Hackathons

In March 2018, MUFG Bank held a hackathon\* with the theme “A New World Emerging from the Use of Digital Currencies.” This event, sponsored by a financial institution and aimed at utilizing its digital currency functions, was the first of its kind in Japan. Looking ahead, we will strive to expand the possibilities of MUFG Coin and, to this end, hold these and other events in addition to engaging in business collaboration with external corporations. In this way, we will deliver new value that could not be created by banks alone while helping resolve various issues society is now confronting.

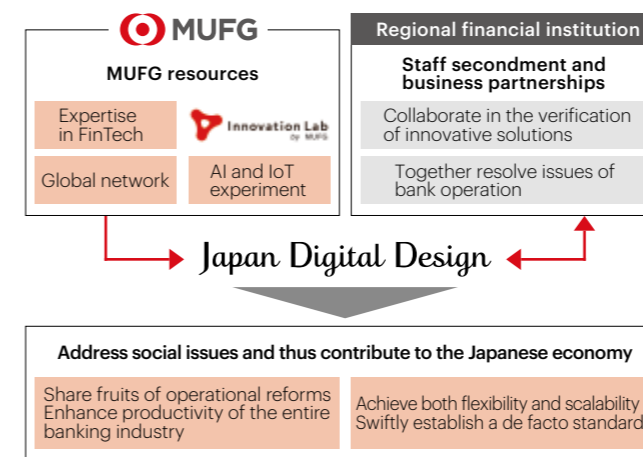
\* A neologism combining “hack” and “marathon,” a hackathon is an event in which software developers collaborate intensively on development projects aimed at creating new programs and designing innovative services. Such events often incorporate competitive elements.



## Japan Digital Design Synergies of MUFG Expertise and External Insights

In October 2017, Japan Digital Design, Inc. (JDD) was established. Spun out from MUFG, JDD was founded upon the platform of the Innovation Lab, a former in-house business unit, and has been recruiting external engineers while collaborating with 35\* regional financial institutions. Looking ahead, JDD will engage in the development of new services that offer revolutionary UX and other initiatives aimed at reducing social cost.

\* As of June 30, 2018



## Establishment of MUFG AI Studio

Within JDD, MUFG AI Studio (M-AIS) was launched as an initiative aimed at researching and developing proprietary AI models for use by MUFG Group.

Going forward, M-AIS will engage in joint research with such external research institutions as the University of Tokyo and collaborate with domestic and overseas AI venture companies. Through this work, M-AIS will endeavor to provide solutions to improve financial services and help solve social issues.

Key Fields	Finance	Cash flow analysis*1 and scoring	Market transactions
	Management	Customer behavior prediction and marketing	HR Tech*2

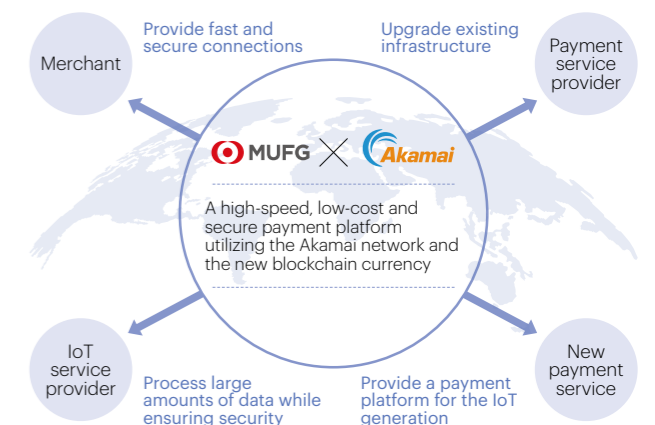
\*1 Analysis of cash flows based on such data as bank account deposits and withdrawals  
\*2 A neologism combining “Human Resources” and “Technology”

## Collaboration with Akamai Technologies, Inc. (U.S.A)

MUFG and Akamai Technologies, Inc. (Akamai), a U.S.-based cloud delivery platform, jointly developed a new blockchain-based technology boasting the capacity to process a million transactions per second and the ability to finalize transactions in less than two seconds.

Leveraging this technology, MUFG and Akamai will strive to offer diverse payment options by developing an open platform capable of supporting pay-per-use, micropayments and other upcoming payment methods that are expected to become commonplace in the IoT\* generation.

\* Internet of Things



## Verification Testing Employing Technologies Offered by Ripple Inc. (U.S.A)

In May 2017, Bank of Ayudhya Public Company Limited (Krungsri), a subsidiary of MUFG Bank carried out a pilot test for moving real funds using software provided by Ripple Inc., with the objective of making cross-border payments more speedy and transparent. This is the first time for a Japanese company to conduct cross-border payments from Thailand to Singapore between real accounts using Ripple. We will continue to promote a variety of innovative projects in the future.

# MUFG Operations Encompassing the Asia Pacific Region

Under the previous medium-term business plan, we strove to help the Bank of Ayudhya Public Company Limited (Krungsri), a consolidated subsidiary, achieve business growth while executing strategic investments in Security Bank Corporation and PT Bank Danamon Indonesia, Tbk.,\*1 major commercial banks based in the Philippines and Indonesia, respectively. Thanks to these efforts, we were able to make steady progress in the development of a robust business platform encompassing regions across Southeast Asia.


Looking ahead, we will promote business operations with partner banks, including MUFG Union Bank, N.A. in the United States and VietinBank in Vietnam, helping them enhance their corporate value, stepping up efforts to create synergies and striving to raise the level of internal management at each partner bank.

\*1 As of August 2018, MUFG holds 40% equity stake in Bank Danamon, with plans calling for acquiring additional shares on another occasion subject to regulatory approval. Upon the completion of the planned share acquisition, MUFG Bank is expected to become the majority shareholder of Bank Danamon.



**Vietnam: VietinBank**

Ranking among domestic banks*2	<b>2nd</b>
Total assets*3	<b>¥5.4 trillion</b>
Number of business bases*4	<b>1,113</b>
Number of employees*4	<b>23,784</b>
MUFG's equity stake*5	<b>19.7%</b>



**Thailand: Krungsri**

Ranking among domestic banks*2	<b>5th</b>
Total assets*3	<b>¥6.7 trillion</b>
Number of business bases*4	<b>700</b>
Number of employees*4	<b>31,545</b>
MUFG's equity stake*5	<b>76.8%</b>



**Indonesia: Bank Danamon**

Ranking among domestic banks*2	<b>5th</b>
Total assets*3	<b>¥1.5 trillion</b>
Number of business bases*4, *7	<b>992</b>
Number of employees*4	<b>36,410</b>
MUFG's equity stake*6	<b>40.0%</b>



**U.S.A.: MUFG Union Bank**

Ranking among domestic banks*2	<b>13th</b>
Total assets*3	<b>¥27.6 trillion</b>
Number of business bases*4	<b>361</b>
Number of employees*4	<b>12,641</b>
MUFG's equity stake*5	<b>100.0%</b>



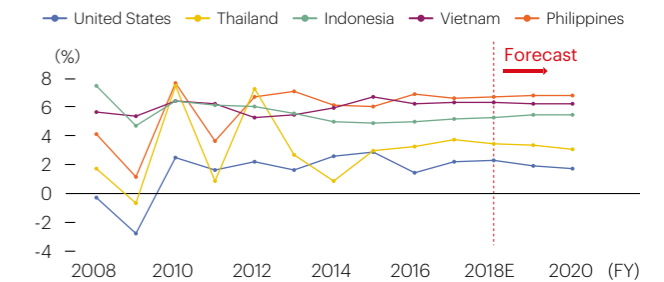
**The Philippines: Security Bank**

Ranking among domestic banks*2	<b>5th</b>
Total assets*3	<b>¥1.7 trillion</b>
Number of business bases*4	<b>302</b>
Number of employees*4	<b>5,437</b>
MUFG's equity stake*5	<b>20.0%</b>

## The Market Environment Surrounding Our Partner Banks Suggests Abundant Growth Potential

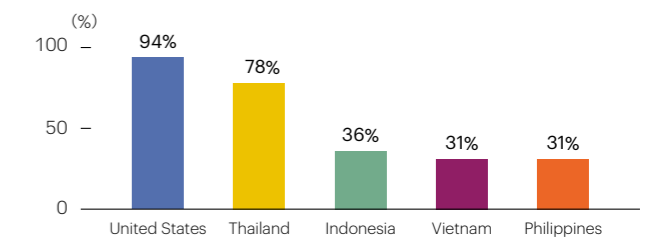
All the five countries in which our partner banks operate boast significant GDP growth and are expected to maintain GDP growth at the current level. On the other hand, the banking services penetration rate has been stagnant in such countries as Vietnam, the Philippines and Indonesia. This, in turn, suggests these countries' considerable future potential for market growth and economic expansion.

### Growth of Real GDP



Source: International Monetary Fund, World Economic Outlook Database

### Bank Account Penetration



Source: 2014 World Bank data

## Our Track Record in Business Collaboration in the Field of Retail Settlement Services

To seize opportunities arising from burgeoning inbound marketing demand backed by constant growth in the number of tourists visiting Japan from elsewhere in Asia, we are striving to expand our lineup of settlement services.

Specifically, Mitsubishi UFJ NICOS Co., Ltd. is acting in partnership with Krungsri (Thailand), VietinBank (Vietnam) and Security Bank (the Philippines), to provide foreign tourists who hold membership cards issued by a partner bank with some of the membership privileges offered at Mitsubishi UFJ NICOS card franchise stores across Japan.

## Initiatives to Create Synergies

In December 2017, we held the second round of the MUFG Global Partnership Conference to facilitate the sharing of expertise and collaboration among partner banks and MUFG Bank. With chairpersons, CEOs and other executives from partner banks attending the event, the conference focused on three key themes, namely, "collaboration in the trust banking business," "digitalization" and "businesses targeting local corporations." Engaging in active discussion, attendees from partner banks and MUFG Bank were able to discuss issues each is now confronting while exchanging insights.

(Source: Data publicized SNL Financial, Philippine Central Bank and Bloomberg as well as information disclosed by each partner bank)  
 \*2 Calculated based on total assets as of December 2017. However, Krungsri's ranking among Thai banks is based on the Domestic Systemically Important Bank (D-SIBs) rankings.  
 \*3 The sum of total assets held by each partner bank and loan balances recorded at local business bases run by MUFG Bank.  
 \*4 As of December 2017, based on information disclosed by each partner bank and data compiled for internal managerial purposes.  
 \*5 As of March 2018  
 \*6 As of August 2018  
 \*7 Excluding the number of business bases run by Adira Finance and Adira Insurance, etc.





# Practicing Solid Financial & Capital Management: Supporting MUFG's "Re-imagining"

MUFG has just launched its new Medium-term Business Plan (MTBP). As Group CFO, it is my pleasure to explain the initiatives we will be undertaking under this plan, as well as our outlook.

August 2018

Muneaki Tokunari  
Group CFO

## Financial Management and Business Plan

### Fiscal 2017 Business Results

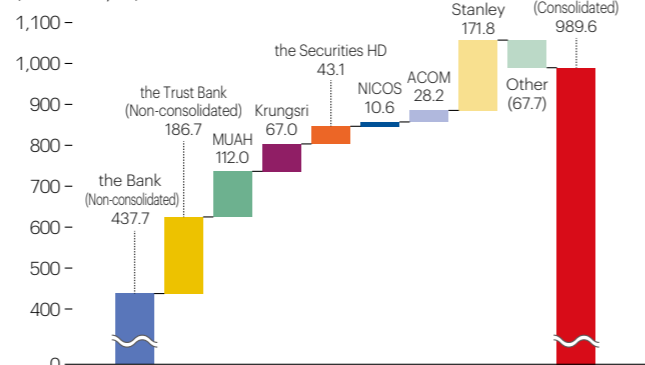
The operating environment remained tough throughout fiscal 2017, despite moderate recovery in the domestic economy. This was due to intensifying competition between lenders on the back of Japan's prolonged ultra-low interest rate environment. Overseas, robust economic growth in the United States compelled the raising of interest rates. This, in turn, triggered major fluctuations in financial markets.

Against this backdrop, MUFG's gross profits totaled ¥3,854.2 billion, down approximately 4% year-on-year. Key contributing factors included decreases in net interest income from loans and deposits in Japan and from bond portfolios, as well as a decrease in net trading profits. These offset robust revenues from loans and deposits at overseas operations.

Overall expenses rose from the previous fiscal year. While expenses associated with domestic operations fell, thanks to cost control efforts and other factors, these were offset by higher expenses for overseas operations due to matters related to complying with financial regulations.

As a result, net operating profits decreased approximately 13% year-on-year to ¥1,232.8 billion.

Breakdown of Profits Attributable to Owners of Parent\* (Billions of yen)



\* The above figures reflect the percentage holding in each subsidiaries and equity method investees (after-tax basis)

Credit costs decreased ¥109.2 billion compared with the previous fiscal year. This was mainly attributable to the reversal of allowance for credit losses. The balance of non-recurring gains and losses improved ¥171.1 billion from non-recurring losses in the previous fiscal year. This was due to falls in the provision of allowance for the repayment of excess credit card/loan interest, as recorded by consumer finance subsidiaries in the same fiscal year.

Extraordinary losses totaled ¥53.0 billion, virtually unchanged from the previous fiscal year, and were mainly attributable to the impairment of branch

buildings under a subsidiary bank as part of structural reforms. Some extraordinary gains were also realized, such as gains on the exchange of shares of affiliates in connection with the merger of a MUFG equity-method affiliate.

Taking all this into account, profits attributable to owners of parent totaled ¥989.6 billion, a year-on-year increase of approximately 7%, exceeding the previously announced target of ¥950.0 billion.

The breakdown of profits attributable to owners of parent shows that all key subsidiaries and affiliates, both in Japan and overseas, contributed to profits. Specifically, contributions from MUFG Americas Holdings Corporation (MUAH; the United States), Krungsri (Thailand) and Morgan Stanley together comprised approximately 35% of the profits. This is a testament to steady progress in MUFG's efforts to diversify and globalize profit sources.

### Review of the Previous MTBP (fiscal 2015 – 2017)

Four financial targets were identified under the previous MTBP. Of these, the Common Equity Tier 1 (CET1) capital ratio exceeded its target. However, earnings per share (EPS), return on equity (ROE), and the expense ratio all fell short of their respective targets.

In particular, consolidated net operating profits decreased year-on-year for the third consecutive year. Over the last three years, falls in net operating profits have been significant, totaling approximately ¥440.0 billion. This has been attributable in part to the introduction of the Bank of Japan's negative interest rate policy and other external factors. However, I must admit that our actions to counter such changes were not taken as quickly or as thoroughly as conditions dictated.

### Financial Targets under the New MTBP

	FY2017 results	FY2020 Targets	Medium- to long-term targets
ROE (MUFG definition)*1	7.53%	Approx. 7% to 8%	9% to 10%
Expense ratio	68.0%	Below FY2017 results	Approx. 60%
Common Equity Tier 1 capital ratio (finalized Basel III reforms basis)*2	11.7%	Approx. 11%	

\*1 For details on calculation methods, please also see descriptions on ROE featured in "Financial Highlights" on page 6.

\*2 Estimated Common Equity Tier 1 capital ratio reflecting the risk-weighted assets increase, as calculated on a finalized Basel III reforms basis.

Looking ahead, we expect longstanding low-growth, low-interest rate conditions to remain in place. We also forecast that Japan's structural problems attributable to its low birthrate and aging society will continue. Meanwhile, advances in digital technologies are poised to bring drastic changes to society and to the industrial sector. We therefore need to make a bold shift away from our conventional business model. Taking the above forecasts into account and in consideration of the previous MTBP's results, the MUFG Re-Imagining Strategy, specifying basic policies for structural reforms, was announced in May 2017.

These policies have been translated into concrete measures and incorporated into the new MTBP.

### Financial Targets under the New MTBP

The new MTBP was formulated based on the presumption that global economic growth will decelerate. Our forecasts for the financial environment therefore include consistently low interest rates—despite the gradual shift to the normalization of central bank monetary policies in mostly developed countries.

Although the new MTBP is a three-year plan, a longer time frame is needed in order to yield sufficient effects through various structural reform measures, such as enhancing operational efficiency and reforming channels for customers. Accordingly, financial targets for fiscal 2020, the final year of the new MTBP, as well as medium- to long-term targets, have been set.

The plan specifies targets for three key indicators: ROE, the expense ratio, and CET1 capital ratio.

Of these, ROE is the most essential indicator. Our aim

Message from the CFO

Forecast Assuming Normal Economic and Financial Development in Key Regions over the Next Three Years

				2018	2019	2020	
Economy	Japan	Modest economic recovery will continue, supported by robust corporate earnings and cyclical recovery in production	Policy interest rate*1 (%)	Japan*2	(0.1)	(0.1)	(0.1)
				U.S.A.	2.25	2.50	2.50
	United States and Europe	The upward trend will continue on the back of improving employment, despite political and policy risks	Long-term interest rate*1 based on 10-year government bonds (%)	Japan	0.2	0.3	0.3
				U.S.A.	2.7	2.9	2.9
Asia	While the economy is likely to continue maturing, overall growth will remain robust due to the expansion of the middle class and strong investment in infrastructure	Foreign exchange (rate in business plan)	US\$/yen	110			
			Euro/yen	125			
Financial	Monetary policies will be gradually normalized, mainly in developed countries. However, interest rates will be kept low, reflecting lower growth rates		*1 Policy interest rate is the closing value. Long-term interest rates are averaged for each period. *2 Rate applicable to the policy interest rate balance of the Bank of Japan's current account deposits.				

is to stably maintain a level exceeding capital cost over the medium- to long-term. Of course, we will also strive to improve EPS.

As for the expense ratio, we expect the newly introduced "Eleven Transformation Initiatives" to yield cost reduction effects totaling ¥50.0 billion for fiscal 2020. The medium- to long-term target is approximately 60%.

Solid equity capital, assessed via indicators such as the above-mentioned CET1 capital ratio, is critically important to financial institutions. With an eye to maintaining our external credit ratings at "single-A" or above, we will strive to keep our CET1 capital ratio in excess of 11%. This also factors in the increase of risk-weighted assets, as calculated on the basis of finalized Basel III reforms.

**Management Resource Allocations and Risk Appetite Framework**

To secure sustainable growth, the new MTBP is designed to counter the adversity by implementing Eleven Transformation Initiatives. To this end, the key for success is to realize optimal allocation of human resources, systems and facilities, and capital.

**Human Resources**

Expectations hold for reducing the workload equivalent of about 9,500 employees by introducing Robotic Process Automation (RPA) and Business Process Re-engineering (BPR), as well as overhauling our channels. They will also help ensure that despite the inevitable retirement of large numbers of employees hired en masse decades ago, our workforce will remain sufficiently robust without additional hiring. Furthermore, human resources will be shifted to higher-value-added operations in

growth areas, such as wealth management services targeting High-End customers and real estate-related businesses.

**Systems and Facilities**

Regarding IT investment strategies, we are aware of the importance of striking an optimal balance between investment for maintaining existing systems and investment for promoting digitalization.

The former is essential to the long term maintenance of our financial intermediary functions as social infrastructure. The latter includes strategic investments to improve operational efficiency, and other forward-looking /experimental investments aimed at the rapid emergence of FinTech. For financial institutions, the success or failure of respective IT investments will directly impact their futures.

**Capital**

In addition to utilizing our capital for strategic investments, we periodically review investments in light of profitability/strategy and recover them where necessary. We will also formulate ROE plans by business group. In doing so, capital efficiency will be enhanced through the replacement of our portfolio with highly profitable assets and by the acceleration of O&D to increase profitability.

Capital is an essential component for financial institutions in two important ways: by strengthening resilience against risk and by serving as a source of revenues. At MUFG, we have clarified our risk appetite in terms of types and levels of acceptable risk. This has afforded a management framework aimed at appropriating necessary capital based on risk appetite. Thanks to this framework, we are able to

connect business strategies, financial plans and risk management practices in an organic manner, thereby realizing even more transparent management.

**Linking Financial Targets and Compensation**

Under the new MTBP, the current compensation plans for directors and officers have been revised in a way that links financial targets and pay more closely, thus ensuring that they are even more aware of the risks and returns shared with shareholders. Specifically, with CET1 capital ratio set as a minimum requirement, compensation is determined based on degree of accomplishment in terms of ROE and expense ratio targets. Comparisons with the performance of other financial institutions will also be considered.

Compared with the prior compensation package, the currently installed package allocates a greater proportion to share-based compensation and other medium- to long-term incentives and less to cash compensation.

**The Fiscal 2018 Outlook**

The operating environment is expected to remain tough in fiscal 2018 due to the previously mentioned prolonged ultra-low Japanese interest rate environment and other factors. Considerable expenses for structural reforms will also be incurred. As a result, net operating profits will stay weak. The absence of one-time gains recorded in fiscal 2017 will also affect year-on-year performance. Accounting for these factors, we aim for profits attributable to owners of parent at ¥850.0 billion, down from comparable fiscal 2017 figures.

**Capital Management**

**Basic Policy (Capital Triangle)**

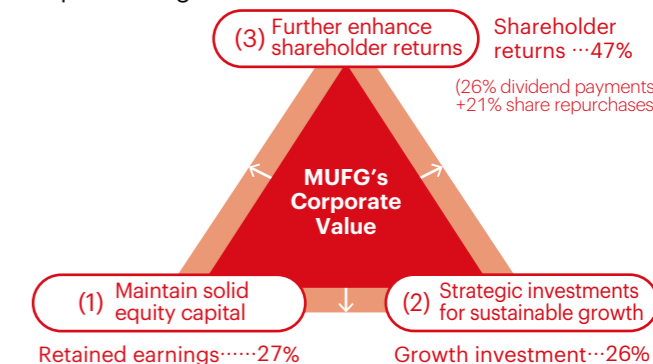
MUFG maintains a focus on capital management that appropriately balances: (1) maintaining solid equity capital, (2) strategic investments for sustainable growth, and (3) further enhancement of shareholder returns.

Capital management policies are regularly discussed as one of our most important management subjects by the Board of Directors, which is comprised of a majority of outside directors.

Over the prior three-year MTBP, profits attributable to

owners of parent totaled approximately ¥2.8 trillion. Of this, funds appropriated for objectives (1), (2) and (3) listed above accounted for 27%, 26%, and 47% (26% cash dividend payments + 21% share repurchases) of the total, respectively.

**Capital Triangle**



(Percentages in this figure represent the appropriation of profits yielded over the course of the three-year period during the previous MTBP.)

**Maintenance of Solid Equity Capital and Our Actions to Meet TLAC Requirements**

As a Global-Systemically Important Bank (G-SIB), MUFG is expected to maintain its CET1 capital ratio at more than 8.5%. Moreover, new requirements will be enforced from March 31, 2020. This will mandate keeping a Total Loss Absorbing Capacity (TLAC) ratio of at least 16% as of the starting day of the mandate, and 18% after March 31, 2022.

MUFG raised various regulatory capital totaling approximately ¥1.9 trillion during fiscal 2017 to meet these requirements. MUFG also issued its first TLAC-eligible Green Bonds in Europe. We continuously strive to diversify capital funding methods.

We aim to combine these debt instruments efficiently in order to pursue what we call the "best capital mix." In doing so, we will improve ROE while satisfying regulatory requirements for capital adequacy ratios.

**Total Amount of Funding (FY 2017)**

AT1 perpetual subordinated debt	¥320.0 billion
Tier 2 subordinated debt	¥479.5 billion
TLAC-eligible senior debt	Approx. ¥1.1 trillion

Message from the CFO

**Strategic Investments for Sustainable Growth**

Strategic investment that employs excess capital is a key driver for achieving sustainable growth. As of August 2018, we hold 40% equity stake in PT Bank Danamon, with plans calling for acquiring additional shares on another occasion subject to regulatory approval, in line with our strategy aimed at seizing upon growth opportunities in Southeast Asia.

As CFO, maintaining capital discipline when making strategic investments is of primary importance. Careful examination is performed to ascertain whether the expected return from an investment will exceed the cost of capital within an allotted time frame.

Periodic reviews of existing investments are also conducted in light of strategy and capital efficiency. Most recently, we divested equity stakes in CIMB Group Holdings Berhad in Malaysia and Banco Bradesco SA in Brazil.

**Results of Investment and Divestment**

Stock	Investment/Divestment (Date)	Value
PT Bank Danamon (Indonesia)	Investment (December 2017, August 2018)	Approx. ¥266 billion
CIMB Group Holdings Berhad (Malaysia)	Divestment (September 2017)	Approx. ¥68 billion
Banco Bradesco SA (Brazil)	Divestment (April 2018)	Approx. ¥45 billion

(As of August 2018)

**Further Enhancement of Shareholder Returns**

MUFG continuously seeks to improve shareholder returns in the pursuit of maintaining solid equity capital and making strategic investments for growth, as described in the above-mentioned Capital Triangle. This has long been a staple of MUFG's fundamental stance on shareholder returns.

While maintaining this stance, as CFO I am determined to enhance shareholder returns and help fulfill our investors' expectations, as also stated in the Message from the CEO.

Basic Policies for Shareholder Returns have recently been announced in order to clarify our relevant directions. A summary of these policies follows.

Dividends are the focus of the primary means for shareholder returns. As such, we aim for stable and

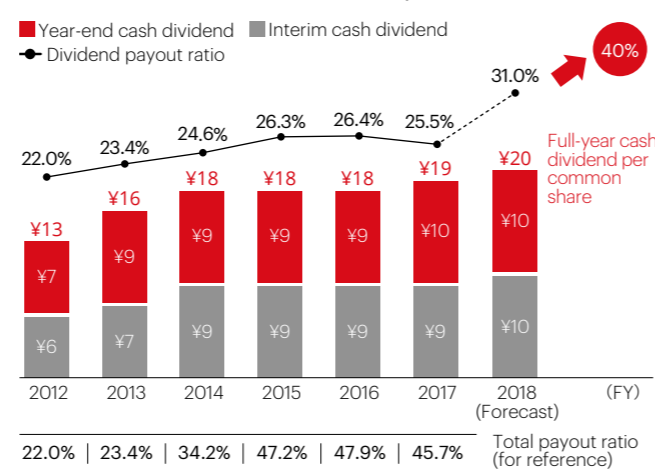
sustainable increases in dividends per share, toward the payout ratio target of 40%. Plans also call for the flexible repurchase of our shares, the holding of a maximum of approximately 5% of the total issued share count, and the cancellation of shares that exceed this amount.

Based on these policies, MUFG paid a year-end dividend of ¥10 per share for fiscal 2017, an increase from the initially planned ¥9, bringing the full fiscal year total to ¥19. For fiscal 2018, a further increase to ¥20 per share is planned.

Looking ahead, MUFG will endeavor to sustainably enhance shareholder value. To this end, we aim for stable increases in dividends per share through profit growth, and for the early achievement of the above-mentioned 40% dividend payout ratio target. The flexible share repurchase effort will be carried out on an ongoing basis.

Basic Policies for Shareholder Returns	Description
Dividends	MUFG continuously seeks to improve shareholder returns, focusing on dividends in the pursuit of an optimal balance between solid equity capital and strategic investment for growth.
Dividends	MUFG aims for a stable and sustainable increase in dividends per share through profit growth, with a dividend payout ratio target of 40%.
Share Repurchases	MUFG plans to flexibly repurchase its own shares, as part of its shareholder return strategy, in order to improve capital efficiency.
Share Cancellation	In principle, MUFG plans to hold a maximum of approximately 5% of the total issued shares, and cancel shares that exceed this amount.

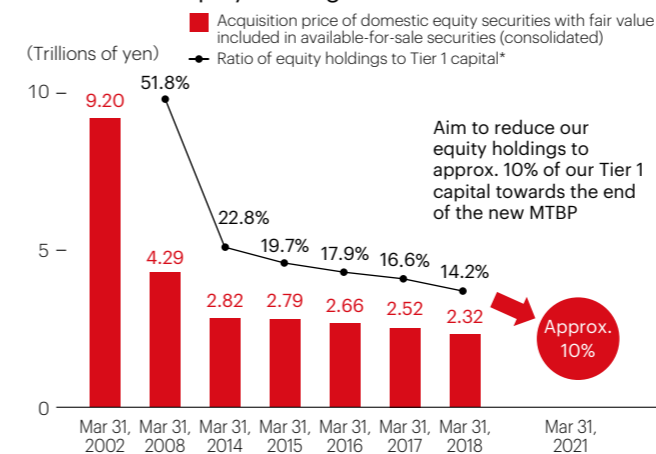
**Results and Forecasts of Dividend per Common Stock**



**Divestment of Equity Holdings**

Regarding equity holding divestment, ongoing policy calls for limiting the ratio of equity holdings in the total balance of Tier 1 capital to approximately 10% by the end of fiscal 2020. Under this policy, the value of divested equity holdings since fiscal 2015 now totals ¥467.0 billion. As a result, the ratio of equity holdings to total Tier 1 capital declined to 14.2%. Going forward, we aim to further divest of our equity holdings.

**Reduction of Equity Holdings**



\* On a Basel II basis until Mar. 31, 2012 (consolidated)

**Compliance with Tax Regulations and Tax Planning**

MUFG recognizes that as a corporate citizen, displaying the best effort toward making appropriate tax payments is an important duty. With this in mind, the entire MUFG Group strives to enhance corporate governance with regard to tax compliance and to maintain and enhance tax compliance through, among other means, employee education and training. In practice, we strive to maintain transparency by disclosing tax information in accordance with local regulations of the countries in which we operate and, where necessary, consult with the local tax authorities in advance.

Through these initiatives, we aim to comply with the spirit of tax legislation, the BEPS Action Plan, OECD Transfer Pricing Guidelines, and other international rules on taxation. Finally, in the course of tax planning, we prioritize compliance with tax laws. In doing so, we are engaged in the appropriate payment of taxes.

**Dialogue with Shareholders and Investors**

**Dialogue Affords Valuable Insights**

For MUFG, it is very important to stably raise capital and debt from capital markets, so as to comply with financial regulations, maintain credit ratings, and secure foreign currency liquidity. Dialogue with our shareholders and investors is my primary mission, and often provides valuable opportunities to learn and to be exposed to new insights. We will continue to ensure that opinions voiced by our shareholders and investors are shared among Board members.

**Enhancement of Disclosure**

MUFG's operations are becoming increasingly diverse, both by region and in the types of business it handles. This, in turn, makes it difficult for people outside MUFG to get a good overview of the whole organization. We therefore believe that providing accurate and timely explanations to our stakeholders about our operations and strategies has become ever more important, and that furnishing such explanations is a prerequisite for meaningful dialogue.

In line with this belief, during fiscal 2017 we held a business strategy seminar in September 2017, where the Chief Digital Transformation Officer offered a presentation on MUFG's digital strategies.

To enhance MUFG's brand recognition among overseas investors, we changed our ticker symbol used at the New York Stock Exchange (NYSE) to "MUFG" in April 2018.

**Stance on SR Initiatives, ESG Issues and SDGs**

MUFG has garnered a solid reputation for its investor engagement and other IR activities, and has received several awards from the Japan Investor Relations Association, the Securities Analysts Association of Japan, and Institutional Investor magazine.

Looking ahead, we remain committed to engaging in investor dialogue, with an eye to stepping up shareholder relations (SR) activities while placing greater emphasis on environmental, social, and governance (ESG) issues, as well as such sustainability initiatives as the United Nations Sustainable Development Goals (SDGs).

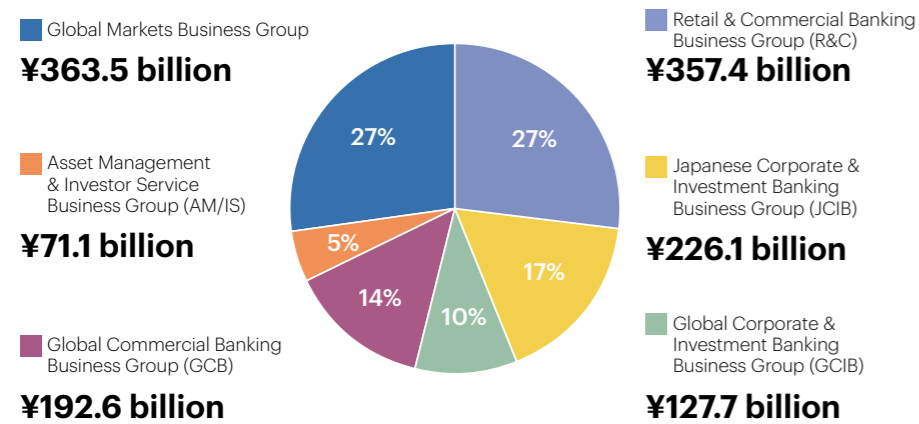


# Value Creation Initiatives

## Business Overview



MUFG Net Operating Profits **¥1,206.8 billion**<sup>\*1, \*2</sup>



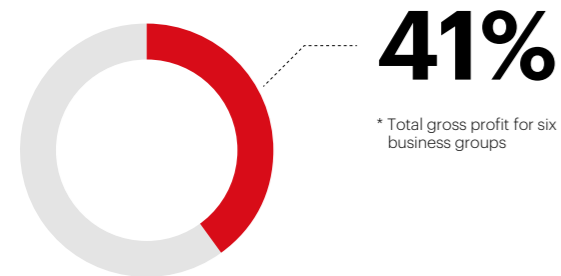
All figures presented in the Business Overview section are on a managerial accounting basis. Figures are based on exchange rates at fiscal year - end, unless otherwise noted.  
 MUAH represents MUFG Americas Holdings Corporation  
 KS represents Bank of Ayudhya (Krungsri)  
 \*1 In addition to the net operating profits of the six business groups, figures include profits or losses of headquarters and other elements  
 \*2 Figures exclude the net operating profits yielded by inter-business group collaboration presented below  
 R&C: Profits from overseas transactions with Japanese corporate customers and profits from business owner transactions which belong to JCIB  
 JCIB: Profits from business owner transactions which belong to R&C and profits from Japanese corporate customers served by MUAH and KS which belong to GCB  
 GCB: Profits from non-Japanese large corporate customers of KS which belongs to GCB, profits from JCIB's non-Japanese corporate customers located in Japan, and O&D profits related to Global Markets  
 Global Markets: O&D profits related to GCIB



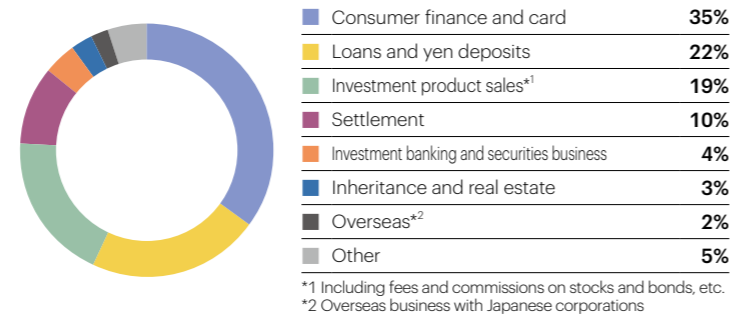
## Retail & Commercial Banking Business Group

Having positioned individual customers and SMEs as targeted customer segments, we provide residential mortgage loans, lending, wealth management and settlement services as well as business and asset succession solutions to meet diverse needs.

Composition of Gross Profits\*



Fiscal 2017 Gross Profit Breakdown



**Naoki Hori**  
Group Head,  
Retail & Commercial Banking Business Group

### Our Medium- and Long-Term Vision

#### A Retail & Commercial Bank That Boasts Unparalleled Strengths in Japan and Is Capable of Achieving Sustainable Growth in Tandem with Customers and Society as a Whole

With the aim of accurately meeting a variety of customer needs, we have integrated retail and commercial banking functions to deliver comprehensive solutions in a seamless manner, employing MUFG's unique perspective encompassing Group companies and a broad range of operations across retail and commercial banking.

We will strive to deliver genuine value that goes beyond customers' expectations and, to this end, tirelessly endeavor to enhance the strength of each Group entity in its area of specialty. In these ways, we will achieve sustainable growth in tandem with customers and society as a whole.

### Operating Environment Analysis

Today, customers' needs and behaviors are radically changing on the back of such factors as an ever faster decline in birthrate, the rapid aging of society, the widespread use of digital technologies and changes in the industrial structure. With this in mind, we will deliver optimal solutions through the integrated management of retail and commercial banking functions while steadfastly focusing on the customer perspective.

## Strategies under the New Medium-Term Business Plan

### SME Business

Connecting our value chain to business fields for both corporate clients and individual business owners, MUFG's staff provides one-stop services representing the MUFG Group as a whole, with all other Group members working with it in collaboration. Employing MUFG's strengths in thoroughgoing customer profiling, we are thereby able to meet a variety of needs.

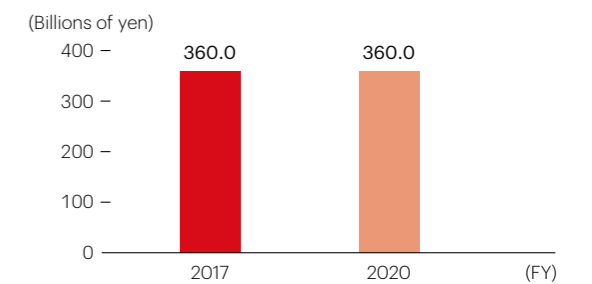
### Retail Business among the Bank and the Securities

We will promote a groupwide integrated approach while utilizing business expertise offered by Morgan Stanley, with the aim of developing an asset management model capable of driving our wealth management business. Moreover, we will deliver products and services that are better tailored to meeting needs of the Bank's customers via collaboration with the Securities. At the same time, we will strive to enhance customer convenience through the utilization of digital technologies and by striving to develop human resources across the board. In doing so, we will enhance our capabilities to fulfill diverse wealth management needs.

### Business for Retail Customers

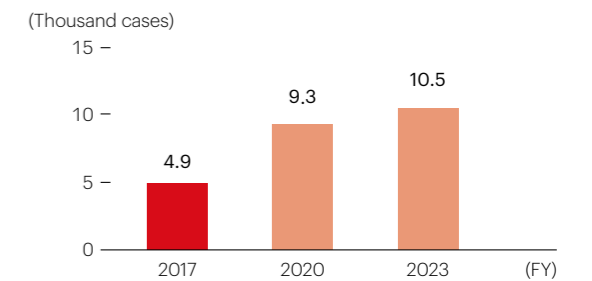
To promote a shift from savings to stable asset building, we are stepping up efforts to address asset management and asset building needs that vary with each customer's life stage. As part of these efforts, we began handling fund wraps at all MUFG Bank branches in November 2017 and began marketing Funded NISA-based products in January 2018.

### Net Operating Profit Plan\*



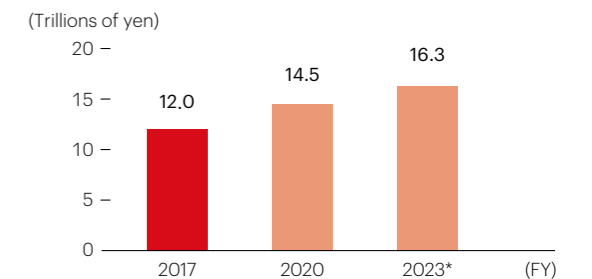
\* Including profits from overseas transactions with Japanese corporate customers and profits from business owner transactions which belong to JCIB

### Number of Referrals via Intra-Group Collaboration\* (wealth management)



\* Intermediary customer referral business via MUMSS's brokerage services and deals closed through collaboration between the Trust Bank and MUMSS

### Balance of Assets under Management (wealth management)



\* Excluding the impact of changes in market prices

### For Smooth Business Succession

Due to the rapid aging of domestic SME owners, ensuring smooth business succession has become critical to maintaining a robust industrial sector and securing sustainable development for the Japanese economy. MUFG assists its customers not only in treasury stock inheritance, which often names family members as inheritors, but also strives to meet needs for M&A, IPO and other succession methods that involve non-family members. These methodologies are expected to become more widespread going forward. While focusing on the perspective of corporate clients in the course of furnishing business succession solutions, we will also offer powerful assistance to individual business owners wishing to pass on wealth via testamentary trusts, real estate sales and purchases and other methodologies.

### ESG

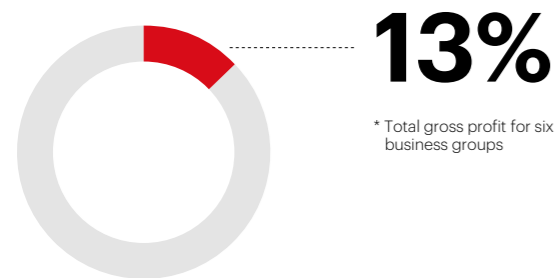
#### 1 Aging population & low birth rate



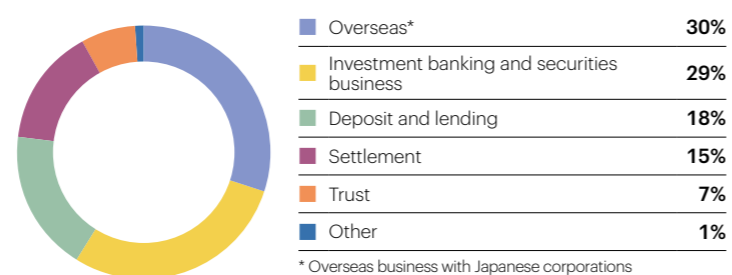
## Japanese Corporate & Investment Banking Business Group

We strive to help major Japanese corporations enhance corporate value via global expansion and, to this end, provide loan, settlement, forex and other services. Simultaneously, we offer optimal solutions that fully employ the strength of each Group entity in their field of specialty associated with M&A and real estate.

Composition of Gross Profits\*



Fiscal 2017 Gross Profit Breakdown



**Kenji Yabuta**  
Group Head,  
Japanese Corporate & Investment Banking  
Business Group

### Our Medium- and Long-Term Vision

#### Be the First Call Business Partner for Customers

We will strive to become our customers' "First Call Business Partner" capable of delivering greater value. To this end, we will develop a new RM/PO\* model via functional realignment. Furthermore, we will step up our sector approach to provide customers with optimal solutions to the business challenges they confront. Through these initiatives, we will help Japanese corporations enhance their competitiveness at home and abroad while securing sustainable growth for MUFG.

\* RM: Relationship Managers, PO: Product Office

#### Operating Environment Analysis

Today, our corporate clients are facing rapidly evolving and diversifying business issues, such as a growing need for cross-border M&A and meeting ever stricter corporate governance requirements. To help them address these challenges, we will strive to raise our capabilities to deliver optimal solutions by taking a companywide integrated approach that employs each Group entity and MUFG business bases in Japan and overseas.

### Strategies under the New Medium-Term Business Plan

#### New RM/PO Model for Wholesale Banking

We will transfer the Trust Bank's corporate loan-related business to the Bank with the aim of ensuring that relationship managers (RMs) representing MUFG can meet customer requests even more swiftly. Meanwhile, product offices (POs), namely, staff in charge of the planning, development and provision of products and services, will work to enhance their specialist expertise in M&A, SR/IR\* and the real estate business.

\* Shareholder Relations and Investor Relations: MUFG's POs assist corporate clients in the formulation of their SR/IR strategies.

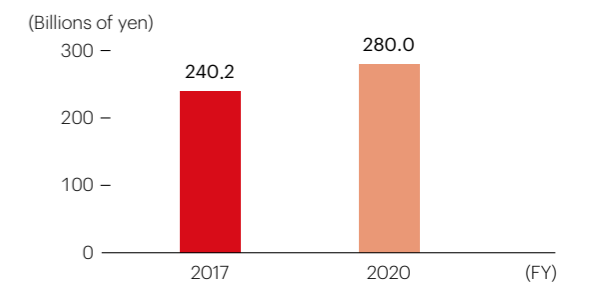
#### Upgrading a Sector Approach

To boost our comprehensive solution proposal capabilities, we will fully utilize the advisory functions of the Bank, the Trust Bank, the Securities and all other relevant Group entities while facilitating collaboration between POs. At the same time, we will step up our efforts to help major corporations and venture startups engage in collaborative business creation initiatives.

#### Overseas Business Involving Japanese Corporations

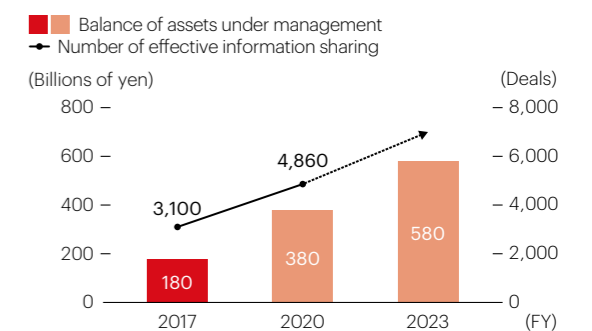
We will strive to maximize the strength of our global network with the aim of better assisting our customers in the pursuit of their global strategies. At the same time, we will stably meet burgeoning demand for foreign currency funding while delivering solutions to address customer needs for more sophisticated, highly efficient cash and foreign exchange management. We will thereby expand our transaction banking business.

#### Net Operating Profit Plan\*

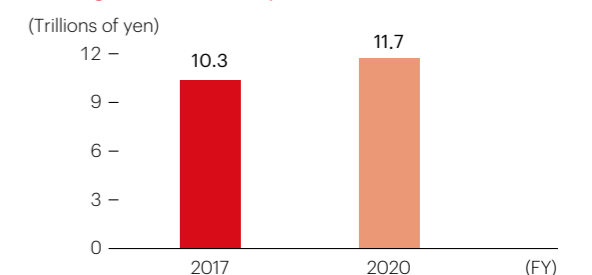


\* Including profits from business owner transactions which belong to R&C and profits from Japanese corporate customers served by MUAH and KS which belong to GCB

#### Balance of Real Estate Assets under Management / Number of Effective Information Sharing



#### Average Overseas Deposit Balance



### ALL JAPAN Tourist Area Regeneration/Revitalization Fund

In February 2018, MUFG Bank, in tandem with other eight companies, became a co-founder of Regional Revitalization Solution, Inc., an investment fund management firm. This joint venture resulted in the institution of the ALL JAPAN Tourist Area Regeneration/Revitalization Fund in April 2018, with a total investment amounting to approximately ¥20 billion. Encompassing all 47 prefectures nationwide, this pioneering megafund boasts the largest asset value among domestic private funds of this kind and is uniquely designed to facilitate investment that transcends regional boundaries. MUFG will help resolve various issues individual communities are now confronting, and by doing so, MUFG will actively contribute to Japan's growth strategies and regional vitalization.

#### ESG

##### 3 Social infrastructure & town planning

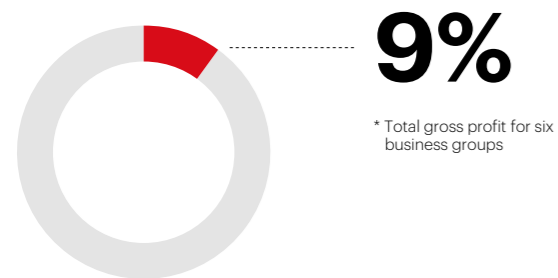




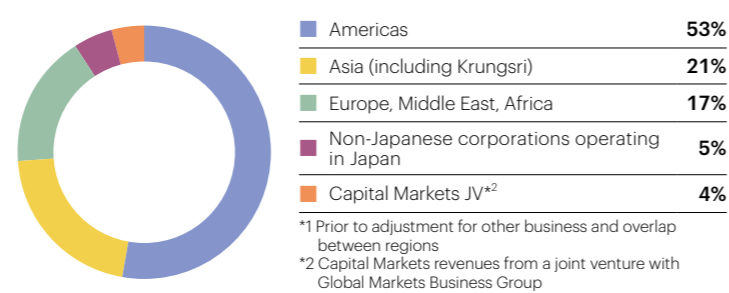
# Global Corporate & Investment Banking Business Group

We provide non-Japanese large corporate and financial institution customers with a comprehensive set of solutions that meet their financing needs, including transaction banking and various advisory services.

Composition of Gross Profits\*



Fiscal 2017 Gross Profit Breakdown\*<sup>1</sup>



**Masato Miyachi**

Group Head,  
Global Corporate & Investment Banking  
Business Group

## Our Medium- and Long-Term Vision

### A Top-Tier Global Debt House

Our vision is to “Become a Top-tier Global Debt House” by providing our global client base with comprehensive set of solutions that meet their increasingly diverse and sophisticated financing needs. To this end, we have moved to customer-based management approach that integrates MUFG’s capabilities across Group entities, Business Groups and regions. Our supporting initiatives include globally aligned HR management for better talent development and allocation, as well as shifting to more global organizational structure.

### Operating Environment Analysis

Large corporate lending business is facing challenges due to the low-margin environment and heightened regulatory costs in multiple countries. We seek to address the challenges through MUFG’s group capabilities and its unique global network, so that we continue to provide our clients with superior value-added solutions.

## Strategies under the New Medium-Term Business Plan

### Global Portfolio Recycle Balance Sheet Optimization

Through our “3R (Repricing, Reduction, and Restructuring)” strategy, we aim to improve overall portfolio return by redirecting capital to assets with higher returns. By leveraging MUFG’s products and industry expertise, we will develop a robust business portfolio that enables sustainable growth.

### Asset Velocity through O&D\* Business Model

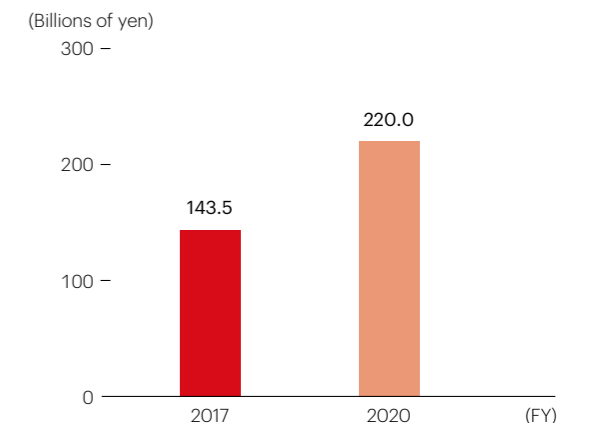
As we try to enhance asset returns, we are transforming our business model from “Quantity” to “Quality.” This requires accelerating O&D\* and OtoD\* with the goal of enhancing our asset velocity. Through an integrated business model between the Bank and the Securities, we aim to serve both corporate and institutional investor clients with a refined corporate & investment banking model.

\* O&D: Origination and Distribution / OtoD: Originate to Distribute

### Global Subsidiary Banking

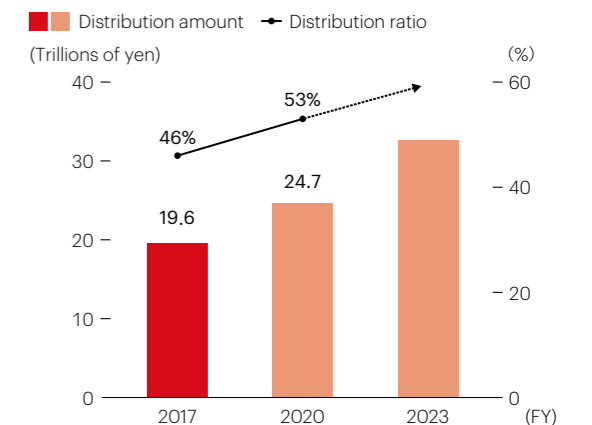
We aim to serve the subsidiaries of global large corporate customers through MUFG’s extensive global network with a dedicated subsidiary banking team. With a shift to a global alignment, our team is now better positioned to serve our clients’ needs. We will also upgrade our groupwide management information to enhance our customer interactions on a global basis.

### Net Operating Profit Plan\*



\* Including profits from non-Japanese large corporate customers of KS which belongs to GCB, profits from JCI’s non-Japanese corporate customers located in Japan, and O&D profits related to Global Markets

### Distribution Amount / Ratio\*



\* Distribution Amount = Arrangement amount - Final hold amount (syndicated loan, project finance, securitization, aviation finance, etc.) + Securities’ arrangement amount of DCM, ABS, etc.  
Distribution Ratio = Distribution Amount ÷ Total amount of loans to global large corporate customers

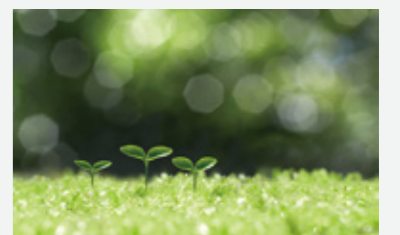
## Support Issuance of “Green Bonds”

MUFG is helping business corporations issue “Green Bonds” (a type of bonds whose proceeds are used to fund environment-friendly projects).

Since launching a dedicated team for Green Bonds in 2016, we have led a number of projects, putting our extensive network in the United States, Europe and Asia to work—one example of how MUFG continues to contribute to environmental preservation and sound social development.

### ESG

7 Cross-sectoral environment and social issues

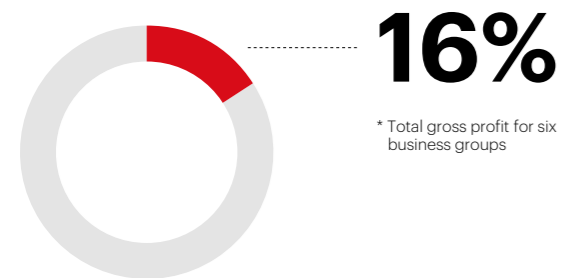


# Global Commercial Banking Business Group

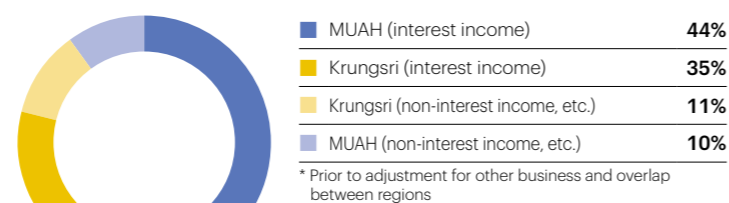
We provide financial services with local SMEs and individual customers in countries overseas through our existing investees, such as MUFG Union Bank, N.A. and the Bank of Ayudhya Public Company Limited (Krungsri).

Note: Entities managed by the Global Commercial Banking Business Group include MUFG Union Bank, Krungsri, Bank Danamon, Security Bank and VietinBank.

## Composition of Gross Profits\*



## Fiscal 2017 Gross Profit Breakdown\*



**Eiichi Yoshikawa**  
Group Head,  
Global Commercial Banking Business Group

## Our Medium- and Long-Term Vision

### A Business Group That Achieves Growth in Tandem with Partner Banks via Operations Spanning the Asia Pacific Region

Under the slogan “Banking Across the Pacific Rim—Connect, Synergize, and Grow Together,” we will strive to become a business group that creates synergies and helps partner banks and MUFG Bank, achieve growth through operations extending throughout the Asia Pacific region. While MUFG’s operation is on a global scale, partner banks’ operations are deeply rooted in regional society. By bringing together the robust platforms MUFG has developed with the community-based services these banks offer, we have succeeded in developing a business network that boasts distinctive strengths second to none in the world. Looking ahead, we will deliver ever more sophisticated solutions by better employing this network.

## Operating Environment Analysis

Our investee banks are based in five countries, namely the United States, Thailand, Indonesia, the Philippines and Vietnam, with a cumulative population of 840 million (520 million in ASEAN nations and 320 million in the United States, respectively). These banks thus serve an extensive, multi national market. Moreover, GDPs are largely growing in these countries. In particular, ASEAN nations are expected to see growth in financing needs on the back of income growth and economic development. Accordingly, our partner banks in these regions are poised to seize opportunities from highly likely market growth in the future.

## Strategies under the New Medium-Term Business Plan

### Regional Strategies for the Asian Market

In Asia, auto loans handled by Krungsri have made strong showings. In addition, MUFG announced strategic investment in Bank Danamon, a major commercial bank in Indonesia, in December 2017, thus acquiring 40%\* equity stake in this bank. This move is expected to help us develop a solid business platform in Indonesia, which boasts a fast-growing economy, thereby accelerating our business expansion and corporate growth.

\* As of August 2018. With plans calling for acquiring additional shares on another occasion subject to regulatory approval. Upon the completion of the planned share acquisition, MUFG Bank is expected to become the majority shareholder of Bank Danamon.

### Regional Strategies for the U.S. Market

In the United States, MUFG Union Bank is stepping up efforts to secure deposits through the Pure Point\* direct banking service and downsized branches. These efforts have steadily helped increase deposit balances. In addition, MUFG Union Bank aims to improve productivity and, to this end, intends to accelerate the relocation of customer support functions and part of back office operations to Phoenix, Arizona. By doing so, this partner bank will achieve both profitability improvement and sustainable corporate growth.

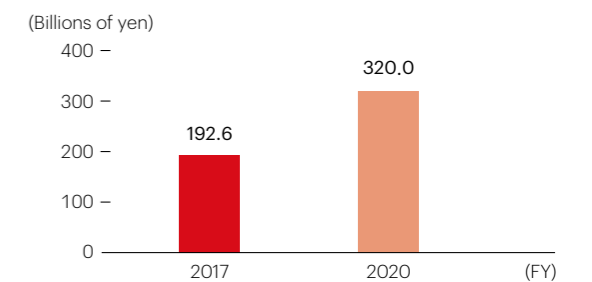
\* A financial service platform that encompasses regions across the United States and is run by MUFG Union Bank. Targeting individual customers, Pure Point comprises internet banking as well as services offered via a network of downsized branches.

### Helping Partner Banks Enhance Their Corporate Value

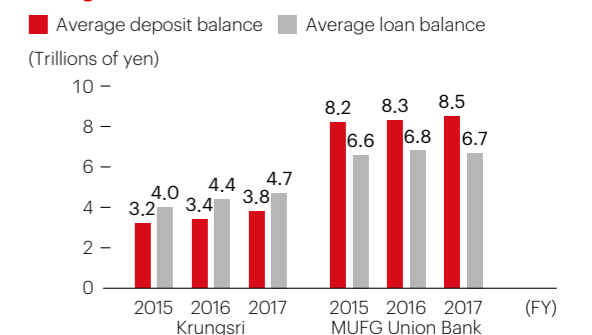
We will facilitate the sharing of specialist expertise and business experience accumulated by partner banks via operations in the United States and Asia. This will, in turn, better position MUFG and partner banks to create synergies and enhance the corporate value of each bank. Furthermore, we will share know-how on and insights into such matters as governance and risk management issues (e.g., credit, market and liquidity), with the aim of accelerating our efforts to develop a more sophisticated operating platform for the overseas commercial banking business.

Please see page 30 for details on these initiatives.

## Net Operating Profit Plan

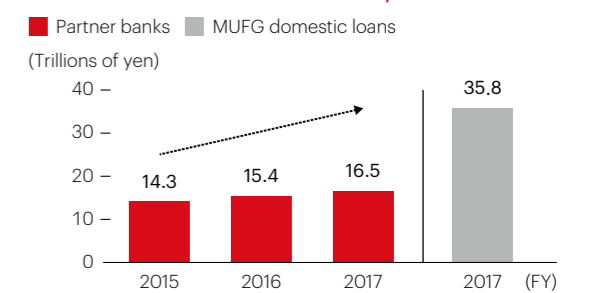


## Average Deposit and Loan Balances Held by Krungsri and MUFG Union Bank\*



\* Of commercial banking operations handled by MUAH, figures represent SME and retail loan balances.

## Reference: Comparisons of Average Loan Balances Held by Partner Banks\*1, \*2 and Domestic Loan Balances Held by MUFG\*3



\*1 The sum of loan balances held by MUFG Union Bank, Krungsri, Bank Danamon, Security Bank and VietinBank

\*2 Of commercial banking operations handled by MUAH, figures for MUFG Union Bank represent SME and retail loan balances

\*3 SME and retail loan balances

## Microfinance through Krungsri's subsidiaries

In ASEAN, the Bank of Ayudhya (Krungsri) helps to support those with low incomes perhaps with a limited or no credit history who are unable to obtain adequate access to financial services through traditional sources. In Thailand, Krungsri's Ngern Tid Lor is the leader in the microcredit sector providing auto loans and nano-finance loans through its nearly 650 highly accessible branches nationwide. In September 2016, Krungsri successfully acquired 100 percent stake of Hattha Kaksekar Limited (HKL), today the third-largest microfinance institution in Cambodia.

With our values that are based on responsible lending, both Ngern Tid Lor and Hattha Kaksekar continue to grow steadily while enriching the quality of life for the people we serve.

## ESG

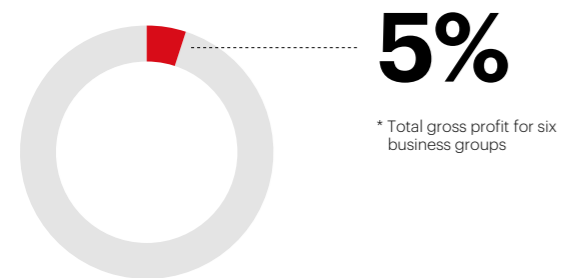
### 2 Business incubation & job creation



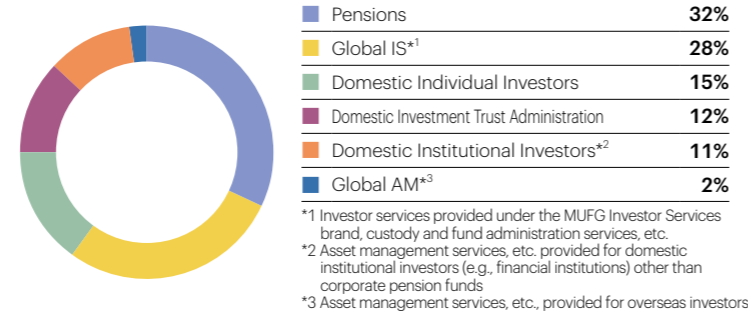
## Asset Management & Investor Services Business Group

Employing our sophisticated specialist know-how in the areas of asset management, investor services, and pensions, we provide such services as consulting while constantly striving to further enhance our asset management capabilities and develop products capable of better meeting diverse needs of customers at home and abroad.

### Composition of Gross Profits\*



### Fiscal 2017 Gross Profit Breakdown



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

### Our Medium- and Long-Term Vision

#### A Business Group Boasting Unparalleled Strength in Japan and Significant Global Presence in Terms of Asset Management and Investor Services

We will become an asset manager boasting superior asset management capabilities and comprehensive strengths in solution proposals while striving to earn recognition in terms of contribution to a shift from savings to stable asset building in Japan. In the field of investor services, we will strive to expand our lineup of banking and other value-added services, thereby becoming the best partner for customers in Japan and overseas. In the field of pension administration, we will strive to secure the position of Japan's top player in terms of both defined benefit plans and defined contribution plans.

### Operating Environment Analysis

Overseas, demand for asset management and investor services is expected to grow further due to the low interest rate environment in developed countries and growth in the number of wealthy individuals in emerging nations. Turning to Japan, there will be growing asset management needs among institutional investors due to expectations that the negative interest-rate policy will remain in place. Also, a gradual shift from savings to stable asset building will address customers' asset management needs.

## Strategies under the New Medium-Term Business Plan

### Asset Management Business

We will take a groupwide integrated approach in the course of providing our customers with asset management services. To this end, we will develop investment products with greater competitiveness while expanding our product lineup. Moreover, we will enhance our portfolio of human resources supporting these efforts. In addition, we will step up the provision of alternative products and further enhance our asset management capabilities with the aim of becoming an asset manager boasting global presence.

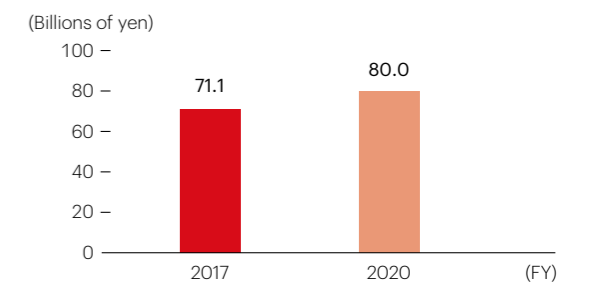
### Investor Services Business

Globally, we will strive to meet increasingly diversifying customer needs through the provision of one-stop services encompassing fund administration, finance and other services under the brand name of MUFG Investor Services. In Japan, we will also strive to provide comprehensive services, focusing on accurately satisfying the needs of such customers as non-Japanese corporations and up-and-coming asset management firms.

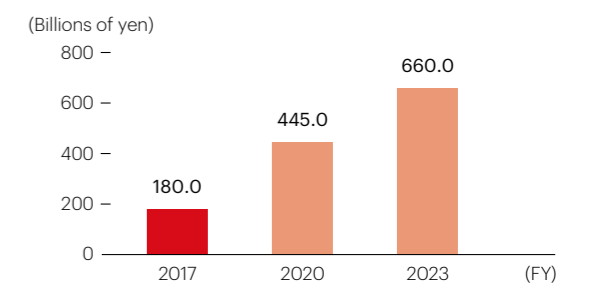
### Pensions Business

In the field of defined benefit pension plans, we will endeavor to raise our pension trust balance. As for defined contribution pension plans, we will work to increase the number of enrollees. In addition, we will provide comprehensive consulting services with regard to employee benefit plans other than pensions and, to this end, take a groupwide integrated approach. In these ways, we will serve an even broader range of customers while enhancing our capabilities to accurately satisfy their needs.

### Net Operating Profit Plan

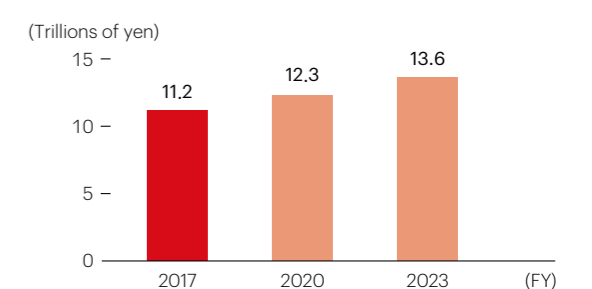


### Balance of Alternative Products\*



\* Balance of real-estate and other low-liquidity investment products developed in-house

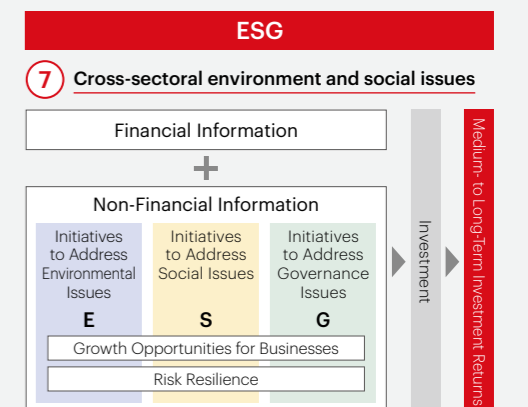
### Balance of Defined Benefit Pension Trusts



## Utilizing Non-Financial Information in Asset Management

As an institutional investor, we believe that assessing investees' non-financial information, which includes corporate philosophies and stances vis-à-vis governance, is essential to securing medium- to long-term investment returns. Accordingly, as an institutional investor that engages in long-term stock holding, the Trust Bank also encourages its investees to seek to cultivate sustainable growth through investee dialogue.

In addition, the balance of responsible investment, which represents the balance of ESG-oriented investment, is 5.0%.



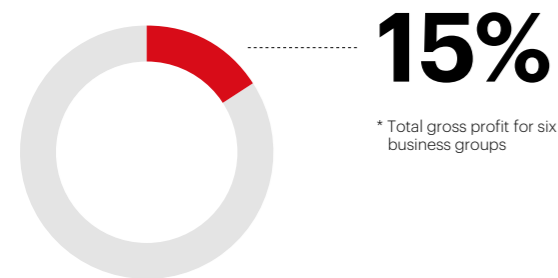


## Global Markets Business Group

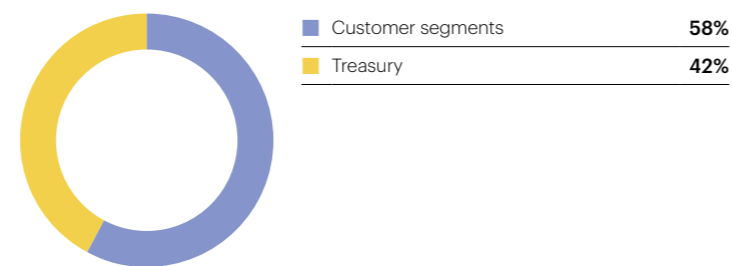
We serve our customers through sales & trading (S&T) operations associated with interest rates, bonds, forex and equities in addition to engaging in treasury operations.\*

\* Including ALM (which is the integrated management of liquidity risk and interest rate risk inherent in assets (loans, etc.) and liabilities (deposits, etc.)), global investment and other related operations

### Composition of Gross Profits\*



### Fiscal 2017 Gross Profit Breakdown



**Shigeru Asai**  
Group Head,  
Global Markets Business Group

### Our Medium- and Long-Term Vision

#### A Driver of Across-the-Board Business Reforms Taking a Groupwide Integrated Approach

We will become an organization capable of delivering value to customers by taking a groupwide integrated approach that transcends the boundaries of business groups and Group entities. In particular, we will strive to ensure that our customers are offered trading opportunities from optimal booking entities and, to this end, initiate efforts to standardize system, risk management and other infrastructure in place at the Bank, the Trust Bank and the Securities. As for operations outside Japan, we will practice human resource allocation in which the same staff concurrently engages in banking and securities operations.

### Operating Environment Analysis

Looking at the current market trend, there is a looming sense of uncertainty regarding the future, especially with regard to geopolitical risk. Furthermore, yen volatility remains low on the back of the prolonged trend toward negative interest rates. Meanwhile, U.S. interest rates are expected to rise. For both the yen and dollar, the gaps between short-term and long-term interest rates are narrowing. Taking these factors into account, we expect a harsh environment to remain in place. On the other hand, the markets business is expected to achieve significant breakthroughs when rapidly advancing digital technologies are applied in this field. Therefore, we will strive to create new value by proactively utilizing these technologies.

## Strategies under the New Medium-Term Business Plan

### Institutional Investors Business

We will provide institutional investors with a broad range of services on a global basis by taking an integrated, groupwide approach in collaboration with other business groups. The Global Markets Business Group will promote O&D\* and, to this end, collaborate with business groups serving customers with funding needs while also endeavoring to satisfy customers with professional and diverse investment needs. By doing so, we will offer our customers investment opportunities available only through MUFG.

\* O&D: Origination and Distribution / OtoD: Originate to Distribute

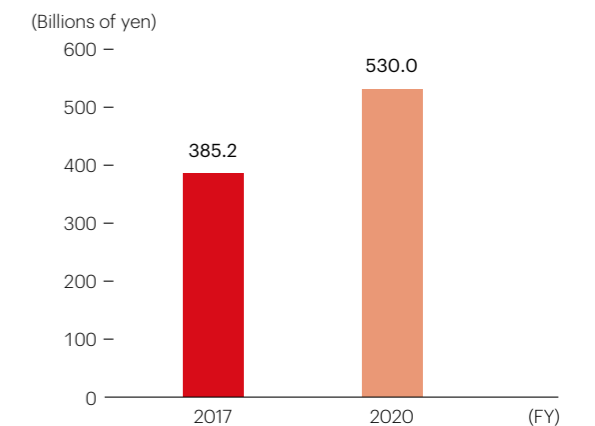
### Businesses Targeting Corporations

In the field of traditional S&T operations, including forex and interest rates, we will digitalize our operational flows to improve the efficiency of existing operations. By doing so, we will free up greater resources to be allocated to such growth fields as asset management as well as hedging transactions aimed at addressing new type of risks, such as those associated with M&A financing. We will also step up collaboration with business units in charge of handling primary and solution businesses, such as designated contract market (DCM) derivatives, thereby nurturing a new business model that is not dependent on lending.

### Treasury

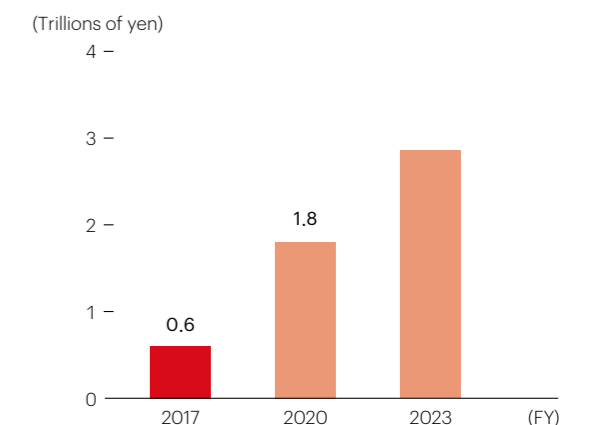
Addressing the foreign currency liquidity and other issues we are facing in terms of balance sheet management, we will improve liquidity risk management by taking a groupwide integrated approach. At the same time, we will engage in market risk management by taking advantage of the strengths of the Bank and the Trust Bank in their areas of specialty. Furthermore, we will develop new corporate clients while instituting new products. In addition, we will step up our ongoing efforts to secure low-cost and stable funding from the market. In these ways, we will promote foreign currency businesses that are more sustainable and sound.

### Net Operating Profit Plan\*



\* Including O&D profits related to GCIB

### Sales of Structured Products for Domestic Institutional Investors\*

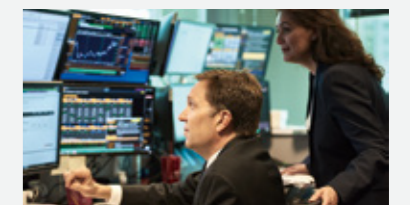


\* Amount of domestic and foreign securitized products and structured bonds sold mainly in Japan

## ESG Investment

Around the world, public pension funds and other institutional investors are increasingly paying attention to ESG-oriented investment, believing that giving consideration to the approaches of investees to ESG issues will improve returns over the long term. While MUFG has diversified its investment portfolio to encompass domestic bonds, foreign bonds, stock and corporate bonds and thereby improve the risk-return management of its own investment portfolio. We also invest in Green Bonds. Looking ahead, the Global Markets Business Group will strive to enhance MUFG's financial revenues while contributing to sustainable economic growth via ESG investment.

### ESG 7 Cross-sectoral environment and social issues





# Important Issues Concerning Value Creation

How MUFG Addresses ESG Issues

In line with its Corporate Vision, MUFG is striving to fulfill its mission as a financial institution, by building lasting relationships with customers and society as a whole and working hand in hand with these stakeholders to ensure sustainable mutual development. To this end, MUFG is addressing a variety of ESG issues society is now confronting.

In fiscal 2017, the Board of Directors unanimously reconfirmed its commitment to addressing ESG issues and engaging in value creation initiatives over the long term to fulfill stakeholder expectations. In addition, the Board of Directors and the Global Advisory Board met a total of four times for the express purpose of addressing ESG issues.





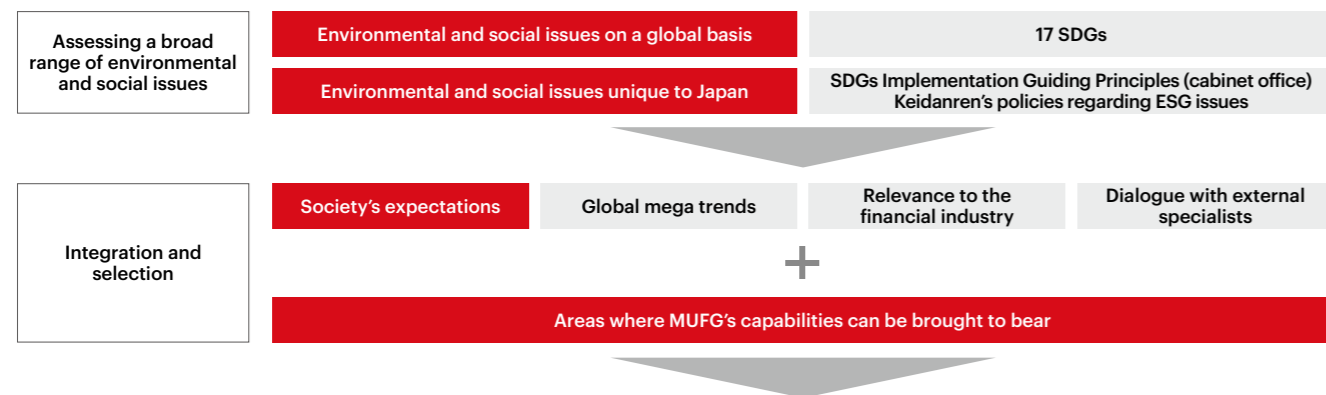
# Initiatives for Addressing ESG Issues toward Sustainable Growth

## How MUFG Determined Its Priority Environmental and Social Issues

MUFG aims to help resolve environmental and social issues through its business activities while securing sustainable growth. To this end, we have determined priority issues to be addressed by MUFG. This determination involved selecting issues relevant to MUFG's operations at home and abroad from among the environmental and social issues identified by United Nations Sustainable Development Goals

(SDGs) as well as prevailing industry standards. Furthermore, we have incorporated input from external specialists. The determination of the seven priority issues presented below has thus been made with an eye to better fulfilling society's expectations in areas where MUFG's capabilities can be brought to bear.

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



## Priority Issues MUFG Must Address

<p><b>1 Aging population &amp; low birth rate</b></p> <p><b>3 GOOD HEALTH AND WELL-BEING</b> <b>4 QUALITY EDUCATION</b></p> <p>Assist our customers achieve smooth business succession while helping enhance their financial literacy through the provision of investment education, thereby facilitating a shift from savings to stable asset building P. 41, 62 and 63</p>	<p><b>2 Business incubation &amp; job creation</b></p> <p><b>8 DECENT WORK AND ECONOMIC GROWTH</b></p> <p>Support companies with growth potential to incubate new industries and create employment P. 47, 60 and 61</p>
<p><b>3 Social infrastructure &amp; town planning</b></p> <p><b>9 INDUSTRY INNOVATION AND INFRASTRUCTURE</b> <b>11 SUSTAINABLE CITIES AND COMMUNITIES</b></p> <p>Offer corporate clients assistance in such projects as those aimed at developing infrastructure overseas, refreshing social capital and enhancing the operational efficiency of public facilities P. 43 and 61</p>	<p><b>4 Global warming &amp; climate change</b></p> <p><b>7 AFFORDABLE AND CLEAN ENERGY</b> <b>13 CLIMATE ACTION</b></p> <p>Curb the impact of climate change by, for example, facilitating the use of renewable energy on a global basis P. 56 to 59</p>
<p><b>5 Financial innovation</b></p> <p><b>8 DECENT WORK AND ECONOMIC GROWTH</b> <b>9 INDUSTRY INNOVATION AND INFRASTRUCTURE</b></p> <p>Provide a broader range of the general public with access to financial services by developing and offering cutting-edge financial services P. 28, 29 and 61</p>	<p><b>6 Workstyle reforms</b></p> <p><b>8 DECENT WORK AND ECONOMIC GROWTH</b></p> <p>Contribute to across-the-board efforts in Japan to improve productivity by, for example, helping employees adopt diverse workstyles to strike an optimal balance between their jobs and child rearing, nursing care and other family duties P. 84 and 85</p>
<p><b>7 Cross-sectoral environment and social issues</b></p> <p> Help realize environmental and social sustainability by, for example, encouraging investees to address ESG issues and assisting in the issuance of Green Bonds P. 45, 49, 51 and 63</p>	

## Establishing Our Environmental Policy Statement, Human Rights Policy Statement and Environmental and Social Policy Framework

In May 2018, MUFG established the "MUFG Environmental Policy Statement" and "MUFG Human Rights Policy Statement" with the aim of stepping up its initiatives that address ESG issues. As a framework for implementing these basic policies, we established the MUFG Environmental and Social Policy Framework. This framework aims to appropriately identify and manage the environmental and social risks arising from MUFG's business activities. The framework has been in force since July 2018.

The framework is applicable to MUFG's core subsidiaries the Bank, the Trust Bank and the Securities, and establishes "Prohibited Transactions" from the perspective of environmental and social

considerations, and "Restricted Transactions" which require confirmation of environmental and social considerations by clients with respect to extension of credit and underwriting of bonds and stocks with corporate clients.

In addition, the framework mandates the introduction of a due diligence process to identify and assess the environmental and social risks or impacts associated with transactions.

Transactions assessed as having the potential to have significant negative impacts on the corporate value of MUFG are evaluated with the involvement of executive management.

We will periodically review the content of this policy framework in accordance with changes in business activities and the business environment, and will work to improve and refine them.





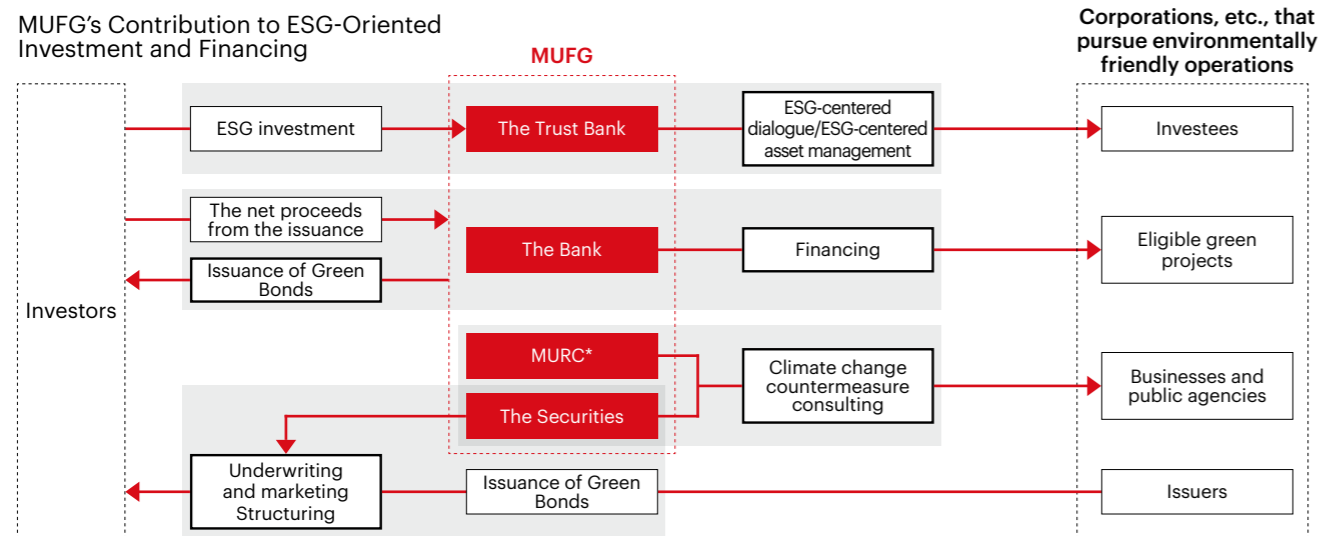
Environmental Initiatives

4 Global warming & climate change

# Initiatives to Counter Global Warming and Climate Change

MUFG has positioned countermeasures against global warming and climate change as one of the priority environmental and social issues that it must address. In line with this positioning, we are engaged in initiatives to reduce environmental burdens attributable to human activities and contribute to the realization of environmental and social sustainability.

## Leveraging Our Financing Functions



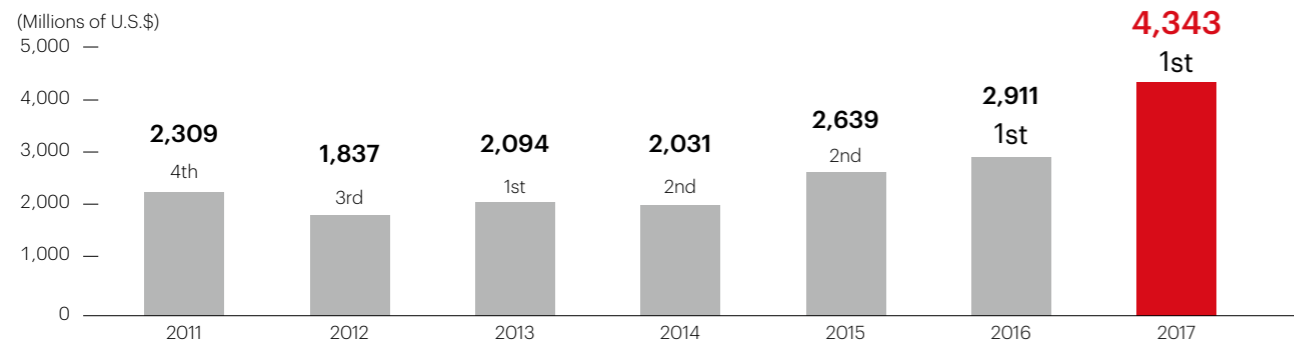
\* Mitsubishi UFJ Research and Consulting Co., Ltd.

## Promotion and Popularization of Renewable Energy

Drawing on its solid track record, abundant know-how and extensive network at home and abroad, MUFG is acting as project finance arranger and lender for solar, wind and geothermal power generation projects. In these ways, we serve as a

driving force behind the dissemination of renewable energy around the world. Thanks to these efforts, in 2017 we were able to secure first place in the global ranking of financial institutions serving as lead arrangers in financing for renewable energy projects. We have seized this position for a second consecutive year.

## MUFG's Track Record and Ranking as a Finance Arranger in the Renewable Energy Sector



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

## Issuance of MUFG Green Bonds

Green Bonds refer to a type of bond that limits the usage of proceeds from its issuance to funding for renewable energy and other projects deemed to be helping preserve the global environment.

In January 2018, MUFG issued MUFG Green Bonds in conformity with international TLAC regulations\*1 as part of an initiative to contribute to environmental and social sustainability. This follows a previous issuance of Green Bonds in September 2016.

Proceeds from these bonds are used for financing green projects\*2 through the Bank after an assessment of eligibility based on their conformity with the Equator Principles (EP).

\*1 Total Loss-Absorbing Capacity: A capital regulation applied to G-SIBs  
\*2 Renewable energy projects whose environmental and social impacts are reviewed in accordance with the EP before being certified as eligible to funding

## Allocation of Funds and Environmental Impact

(as of March 31, 2018)

Balance of Eligible Green Projects that were funded by the net proceeds from the issuance of MUFG Green Bonds	US\$1,256 million (total 29 projects)
Total annual power generation capacity	8,411 million kWh
Total annual estimated reduction volume (CO <sub>2</sub> equivalent)	4.3 million tons

Note: The sum of the net proceeds totaling US\$500 million from bonds issued on September 13, 2016 and the net proceeds totaling 500 million euro from bonds issued on January 26, 2018

For more details, please visit the following page of our website.  
<https://www.mufig.jp/english/csr/juten/sustainability/greenbond/reporting/>

## The Status of Credits Offered to Coal Fired Thermal Power Generation Operators

As of December 31, 2017, approximately half of MUFG's power-related project finance and asset portfolio was accounted for by renewable energy businesses. Financing for the coal fired power generation sector is accounted for less than 10% of this portfolio.

MUFG supports international initiatives that are aiming to reach the objectives set by the Paris Agreement and supports the adoption of advanced technologies for high efficiency power generation which contribute to reducing greenhouse gases emissions and carbon dioxide capture and storage technologies.

Furthermore, MUFG believes that providing assistance to those switching over to alternative energy sources with low CO<sub>2</sub> emissions is a responsibility of financial institutions.

The Bank and the Trust Bank refer to international guidelines such as OECD Arrangement on Officially Supported Export Credits, when considering the provision of financing for new coal fired power generation. Decisions on financing are made following recognition of both the local and the international circumstances surrounding coal fired power generation.

## Response to the Task Force on Climate-Related Financial Disclosures (TCFD)

MUFG recognizes that, as a global financial institution, we play an important role in the transition to a low-carbon society and other global actions aimed at combating climate change. In line with this recognition,

MUFG is putting into practice the TCFD's recommendations on governance, strategy and risk management as well as metrics and targets. Here, we outline our initiatives related to these four items.

<b>Governance</b>	<ul style="list-style-type: none"> <li>Established an MUFG Environmental Policy Statement that includes MUFG's policies on climate change while formulating the MUFG Environmental and Social Policy Framework, a framework designed to provide specific guidance on risk management</li> <li>The Corporate Social Responsibility Committee, operating under the Executive Committee, engages in regular discussions centered on countermeasures to address climate change and other environmental and social issues</li> </ul>
<b>Strategy</b>	<ul style="list-style-type: none"> <li>Identified priority environmental and social issues that MUFG must address</li> <li>Implementing employee training on ESG-related initiatives and conduct stakeholder dialogue</li> <li>Promoting and popularizing of renewable energy</li> <li>Assisting businesses with the issuance of Green Bonds while itself issuing MUFG Green Bonds</li> </ul>
<b>Risk Management</b>	<ul style="list-style-type: none"> <li>Announced an MUFG Environmental and Social Policy Framework that includes MUFG's policies on financing for the coal fired power generation sector</li> <li>Implementing due diligence based on the Equator Principles</li> <li>Upgrading our risk management by, for example, incorporating external opinions of experts</li> </ul>
<b>Metrics and Targets</b>	<ul style="list-style-type: none"> <li>Disclosed GHG emissions by five Group companies</li> </ul>

Environmental Initiatives

4 Global warming & climate change

**Environmental and Social Risk Management Based on the Equator Principles**

MUFG Bank adopted the Equator Principles (EP) in 2005 to ensure that the projects it finances and advises on are developed in a socially responsible manner and establish good environmental management practices to minimize, mitigate, and/or offset environmental and social risks and impacts. MUFG Bank supports its client's environmental and social risk management and contributes toward a sustainable world through implementation of the EP. MUFG Bank will not finance to projects where the client will not, or is unable to, comply with the EP.

At MUFG Bank, Social & Environmental Risk Assessment Office (SERAO) is responsible for environmental and social considerations and other relevant activities. SERAO will conduct site visits, as appropriate, to assess social and environmental aspects on the project sites over the world.

**Employing the Mega Solar Fund**

MUFG has instituted a mega solar fund in tandem with Mitsubishi Research Institute, Inc. (MRI). Utilizing robust consulting functions and know-how, MRI has developed in operating a think tank business, MUFG is delivering high-value-added solutions to customers who have rights to renewable energy through this fund.

The first eligible project was a mega solar business operated in Makinouchi, Kagoshima Prefecture, with an investment totaling approximately ¥10 billion appropriated for the project under the funding scheme.

Looking ahead, we intend to expand the scope of investment to encompass renewable energy generation facilities in general. By doing so, we will help resolve issues associated with regional vitalization as well as those the energy sector is confronting.

**Providing Consulting Services on Climate Change Countermeasures**

MUFG supports the Joint Crediting Mechanism (JCM), a carbon credit system designed to supplement the Clean Development Mechanism (CDM) formulated based on the Kyoto Protocol. With the Japanese government acting as an international advocate for this mechanism, MUFG provides consulting services

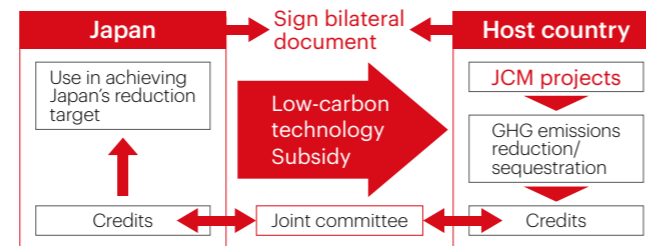
aimed at helping commercialize cutting-edge initiatives to curb global warming while developing schemes for financing such initiatives.

When it comes to global warming countermeasures, two factors are important: Mitigating climate change (e.g., curbing greenhouse gas (GHG) emissions); and Adapting to climate change (e.g., reducing the impact of climate change and preparing for the risks).

In this regard, Mitsubishi UFJ Morgan Stanley Securities (MUMSS) has been commissioned by the Ministry of Economy, Trade and Industry (METI) to conduct a study on climate change adaptation businesses. In fiscal 2017, MUMSS developed a guidebook on adaptation business also and helped upgrade METI's Climate Change Adaptation Good Practices by Japanese Private Sector, which showcases successful adaptation businesses overseas. MUMSS continues to contribute in promotion of adaptation businesses amongst Japanese private sector.

**Outline of the JCM**

The JCM is a bilateral credit creation scheme between Japan and developing countries that was proposed by the Japanese government to the international community as a new mechanism to complement the CDM. Benefits of the JCM include the mutual implementation of projects by Japan and any country that signed a bilateral document, a broader range of applicable projects compared to the CDM, shorter processing times, and the availability of Japanese government subsidies.



**Major Projects Supported by Mitsubishi UFJ Morgan Stanley Securities in Fiscal 2017 for JCM Procedures**

Country	Outline of JCM Projects	Estimated volume of reduction in GHG emissions (Unit: t-CO <sub>2</sub> /year)
Indonesia	Introduction of solar power generation systems at commercial facilities	1,277
	Introduction of solar power generation systems at factories	400
Thailand	Introduction of heat pumps at factories	1,056
Bangladesh	Introduction of high-efficiency weaving machines at factories	454
Vietnam	Introduction of high-efficiency lighting equipment in marine vessels	742
	Installation of environmentally friendly air conditioning systems at factories	4,681
	Introduction of high-efficiency transformers to power distribution networks	3,564
Mongolia	Supply of electricity via solar power generation	11,221
<b>Fiscal 2017 Total</b>		<b>23,395</b>

GHG: greenhouse gas

**Assisting Clients with the Formulation of Environmental Strategies**

Mitsubishi UFJ Research and Consulting Co., Ltd. is assisting public agencies and private corporations with the formulation of environmental strategies covering subjects ranging from climate change to energy and resources and the management of natural capital. In fiscal 2017, 37 projects were implemented.

For example, Mitsubishi UFJ Research and Consulting engages in research and analysis aiming for the operationalization of the Paris Agreement, which lays out an international framework to tackle climate change, provide assistance to international negotiations and support the development of a national system to manage greenhouse gas emissions and removals in developing countries.

As a research institute, Mitsubishi UFJ Research and Consulting also engages in policy proposal with regard to the concept of "green infrastructure" (infrastructure and land development plans that employ a variety of functions the natural environment lends to human society). In this way, this subsidiary is striving to help resolve issues our global society is now confronting via the utilization of the positive value of the environment. Currently, this subsidiary is acting as a part of industry-government-academia collaboration centered on green infrastructure, measuring the estimated effect of green infrastructure, formulating business development methodologies and promoting other cutting-edge research projects. In addition, Mitsubishi UFJ Research and Consulting formed a study group in tandem with external institutions and co-authored "GREEN INFRASTRUCTURE," a book showcasing pioneering examples of green infrastructure.

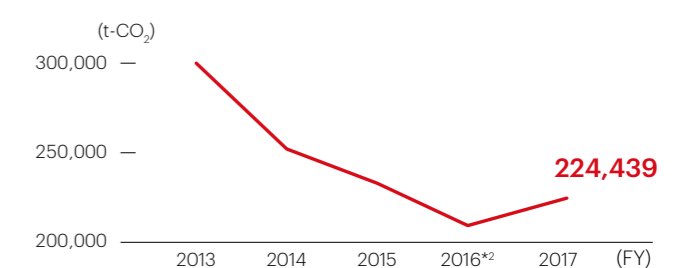
**Reducing Environmental Burdens Attributable to Our Business Activities**

**Curbing CO<sub>2</sub> Emissions**

MUFG is striving to reduce the environmental burdens imposed by its own operations and, to this end, is promoting the effective limitation of resource usage in various aspects of business activities. For example, we have installed energy-saving air conditioning and lighting systems at the Head Office building and each branch in an effort to curb total

CO<sub>2</sub> emissions. As a result, CO<sub>2</sub> emissions in fiscal 2017 were 25% below the level recorded in fiscal 2013.

**Carbon Dioxide (CO<sub>2</sub>) Emissions\*1**



\*1 Total for MUFG, MUFG Bank, Mitsubishi UFJ Trust and Banking, Mitsubishi UFJ Morgan Stanley Securities and Mitsubishi UFJ NICOS  
 \*2 The figure for fiscal 2016 includes the impact of a CO<sub>2</sub> offset scheme employing emission credits. This scheme resulted in a total reduction of 25,500t-CO<sub>2</sub>.

**Initiatives to Promote Environmental Education**

**Endowment to Promote Climate Change Studies at Universities**

Since 1994, The Mitsubishi UFJ Environment Foundation has established a number of endowed courses at universities, aiming to encourage students, the leaders of future generations, to learn about environmental issues. To date, the foundation has established such endowed courses at Sophia University, Kobe University and Hitotsubashi University, among others. In fiscal 2018, the foundation created an endowed course at Tsukuba University, that encompasses an annual series of 25 lectures including one titled "Scientific Theory of Global Environmental Changes and Other Relevant Global Issues" as well as field work, for a three-year period leading up to the end of the fiscal 2020 academic year. In addition to students, citizens are being welcomed to participate in open symposiums to be held as part of this course.



A lecture at Tsukuba University

Social Contributions

# Helping Corporate Customers Achieve Growth through Financing

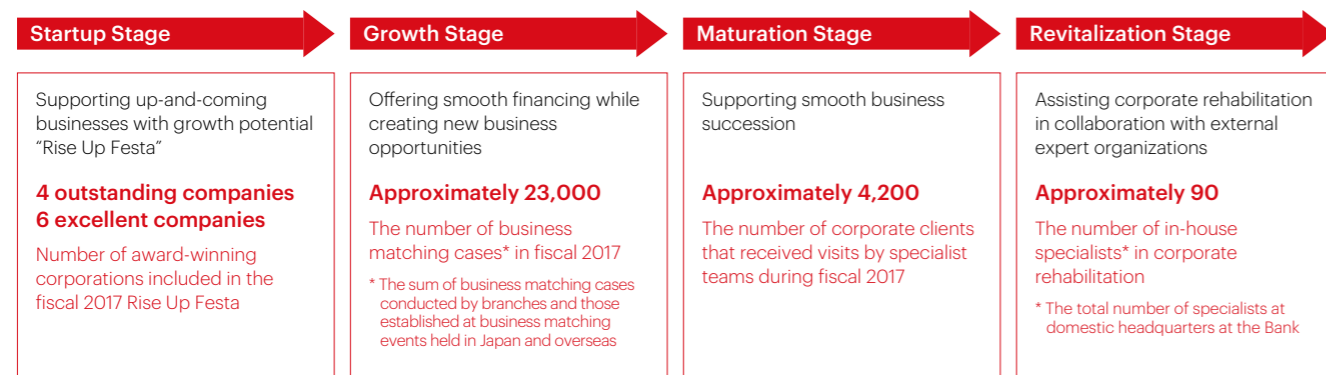
MUFG aims to contribute to social development through financing, the primary function representing its business operations.

In particular, we provide services unique to MUFG in such fields as “business incubation & job creation,” “social infrastructure & town planning” and “financial innovation.”

**2 Business incubation & job creation**  
**Supporting Corporate Growth**

Acting as a partner for its corporate customers, MUFG is well aware of the fact that their needs may

vary widely due to differing levels of development. Accordingly, MUFG optimizes its services to fit their individual needs, whether they are startups, growing corporations, mature companies or companies undergoing corporate rehabilitation.



**Supporting Promising Startups “Rise Up Festa”**

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

In April 2018, MUFG conducted final screening for the fifth round of this program, with four outstanding companies and six excellent companies being chosen from among the many candidates. Award-winning companies may take advantage of various support programs aimed at helping them achieve growth.

**Business Matching Events**

MUFG hosts periodic large-scale business matching events, aimed at helping corporate clients seeking solutions, such as a need for a wider variety of suppliers, to increase their customer base or to upgrade marketing and logistics operations. Employing MUFG’s extensive network, MUFG introduces them to potential business partners that may help them resolve these challenges, thereby assisting them in their pursuit of business expansion. In February 2018, one such event was held in Osaka, and attendees included representatives from overseas investment promotion agencies as well as a number from MUFG Union Bank, N.A. and Krungsri.

**2 Business incubation & job creation**  
**5 Financial innovation**

**MUFG Digital Accelerator Program**

MUFG provides assistance for the launch of new businesses in FinTech and other cutting-edge technological fields through the MUFG Digital Accelerator program, which it hosts. Participating companies are offered advice from mentors boasting extensive expertise and given access to dedicated working spaces. They may also take advantage of a network comprising the participant companies and the MUFG Group entities.

In February 2016, MUFG entered a partnership with Plug and Play, LLC, a tech company based in Silicon Valley, to jointly operate the program. Having thus accelerated our business incubation efforts, we will strive to create a number of revolutionary businesses through open innovation in tandem with venture startups.

**2 Business incubation & job creation**

**Emerging Industrial Technology Support Program**

The Emerging Industrial Technology Support Program is a program run by MUFG Bank with the aim of assisting corporate clients taking on the challenge of commercializing new technologies. Typically, the program finances pioneering projects in business fields where the potential for growth is

considerable but the certainty of future commercialization is weak. Under the program, headquarters departments and commercial banking offices act in collaboration to conduct interviews and plant tours to assess whether applicants are eligible for non-collateral, non-guaranteed financing based on careful analyses of their strengths and the management challenges they face.

The first recipient of financing under the program was Japan Environment PLANning, INC. (JEPLAN), a startup that has taken on the challenge of commercializing recycled polyester fiber.

**3 Social infrastructure & town planning**

**Supporting Infrastructure Businesses Overseas**

**Investment in U.K. Rail Infrastructure**

Japan Infrastructure Initiative (JII), established in January 2017 via a business alliance between MUFG, Mitsubishi UFJ Lease & Finance Company Limited, MUFG Bank, Hitachi, Ltd. and Hitachi Capital Corporation to serve as an open financial platform, executed its first investment in September 2017, targeting High Speed 1 (HS1), a component of the U.K. rail infrastructure, with total investment amounting to £75 million. Going forward, JII will strive to support Japanese corporations engaged in infrastructure businesses overseas.

**Interview with a Client**

**How Finances under the Emerging Industrial Technology Support Program Are Utilized**

**Michihiko Iwamoto**  
 CO-FOUNDER, JEPLAN, INC.

We run “BRING,” a recycling project that aims to create clothing out of clothing.

Under this project, we encourage consumers to bring in used fabric items that would otherwise be discarded. We also utilize textile waste from factories. Then, we apply our chemical-based fiber recycling technologies to process the items, thereby manufacturing pellets that are the raw materials of recycled polyester fiber. I am grateful to the staff at MUFG Bank for their understanding and support of our project’s objectives and our technologies. Looking ahead, we will strive to help create a recycling-oriented society.



Staff at the Shibuya Commercial Banking Office engaging interview with CO-FOUNDER Iwamoto (right)

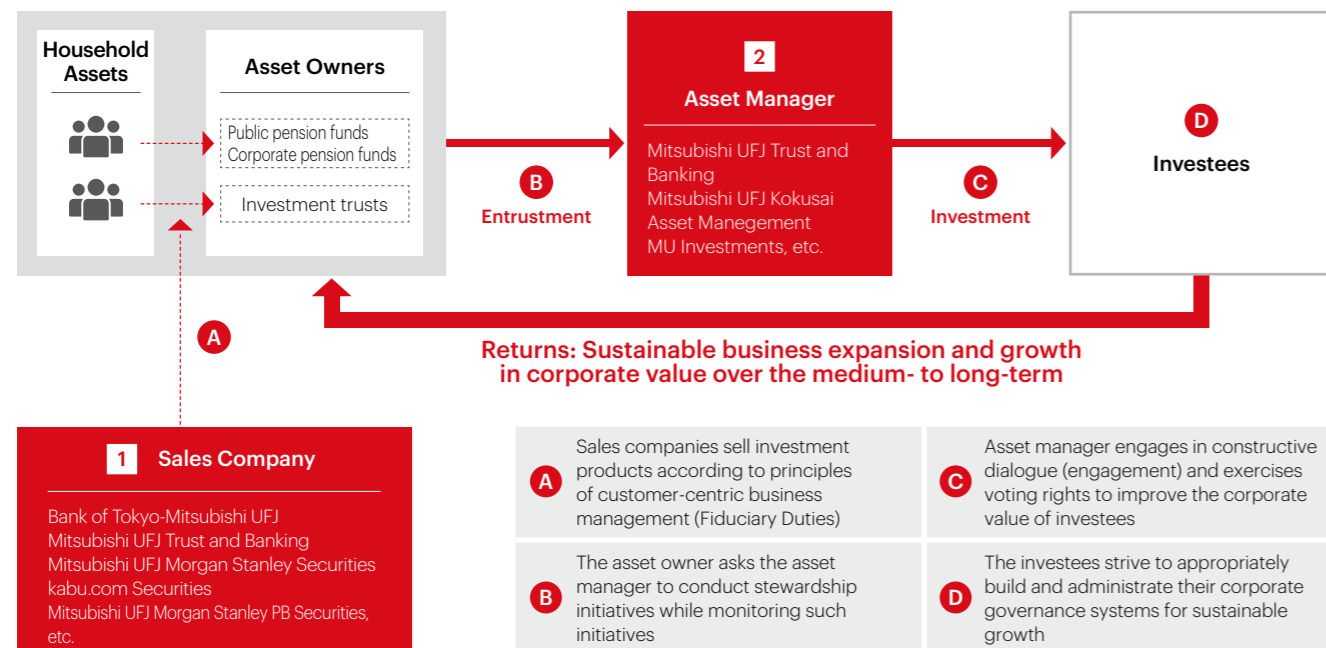


Social Contributions

# Building Sophisticated Investment Chains

The development of sophisticated investment chains plays an essential supporting role in assuring the stable accumulation of household assets and sustainable growth for the economy. To help develop such investment chains, MUFG plays the dual role of sales company and asset manager.

Conceptual Diagram for the Investment Chains



① **Aging population & low birth rate**

## ① MUFG's Role as a Sales Company

MUFG announced the MUFG Basic Policy for Fiduciary Duties to provide unified guiding principles aimed at ensuring that a customer-centric approach is thoroughly embraced by all Group entities. Also, each Group entity has identified key performance indicators (KPIs) for objectively assessing and evaluating their own practice of a customer-centric approach while periodically publicizing the status of such practice. In addition, these KPIs were formulated by focusing on assessing the status of business activities (e.g., conducting long-term asset

management and facilitating periodic investment and diversified investment) aimed at assisting customers in stable asset building as well as at evaluating the outcomes of these activities in terms of customer satisfaction.

In addition, MUFG provides educational programs and informational materials for customers in a variety of age groups so that they can better understand what it takes to start investing.

For details on the MUFG Basic Policy for Fiduciary Duties and initiatives undertaken by each Group company, please also visit the following page of our website. <https://www.muftg.jp/english/profile/governance/fid/>

Elementary, junior high and high school students	<ul style="list-style-type: none"> <li>Mitsubishi UFJ Morgan Stanley Securities has been running an educational program aimed at helping junior high and high school students learn about stock investment.</li> <li>MUFG Union Bank helps students at public high schools establish and run "High School Branches," providing them with opportunities to learn about finance and economics via actual banking operations.</li> </ul>
University students	<ul style="list-style-type: none"> <li>We give lectures aimed at enhancing basic financial literacy with regard to properly managing loans, credit cards and household budgets while providing knowledge about various asset building methods based on personal life plans.</li> </ul>

⑦ **Cross-sectoral environment and social issues**

## ② MUFG's Role as an Asset Manager

MUFG is maintaining engagement with its investees to facilitate their sustainable growth. In doing so, MUFG is striving to make the best use of its capabilities and expertise as an asset manager entrusted with valuable customer assets. We believe that such engagement is key to enhancing returns to beneficiaries in the long run. For example, the Trust Bank engages in ongoing dialogue with its investees to ensure a shared understanding of the issues they are facing, such as a need to update their governance structure. This understanding helps the Trust Bank facilitate changes that enhance clients' corporate value.

## As a Member of Local Community

MUFG encourages its employees to engage in a variety of volunteer activities that contribute to the sound development of communities in which it operates.

Moreover, MUFG supports organizations aimed at creating a better society through sports activities.

### Global Volunteer Month MUFG Gives Back

"MUFG Gives Back" is an annual Global Volunteer Month campaign aimed at encouraging employees worldwide to simultaneously engage in community contribution activities. Since 2013, we have held this campaign to communicate our gratitude to the people all around the world who generously supported Japan's reconstruction efforts after the Great East Japan Earthquake.

Fiscal 2017  
Total hours spent on volunteer activities

**Approximately 340,000 hours\***

November 2017  
MUFG Gives Back

**A total of more than 9,800 employees in 40 countries and regions participated in the campaign**

\* The total of employees at the MUFG Bank, MUFG Union Bank, N.A. and Krungsri



Group employees engaging in volunteer activities in Karachi, Pakistan

### Supporting the Sound Upbringing of Future Generations through Sports

Guided by our aspiration to support the sound upbringing of children, who will lead our future, we host the MUFG Junior Tennis Tournament while sponsoring the MUFG Cup, a football game for sixth graders to celebrate their graduation from elementary school. In these ways, we are supporting human resource development through sports activities.

In addition, MUFG is the first company in Japan to become a Global Partner of Laureus, a global sporting organization that engages in social contribution initiatives to counter such issues as violence and discrimination via sports activities and encourages the general public to understand how sports can positively impact society. Going forward, MUFG will act in collaboration with Laureus to promote various initiatives.



A Laureus ambassador interacting with children at a football event

Upgrading the Governance Framework

# Ensuring Sustainable Growth in Our Corporate Value

## Fundamental Concepts

MUFG will aim for sustainable growth and the increase of corporate value over the medium- to long-term, in consideration of the perspectives of its stakeholders, including shareholders as well as customers, employees and local communities. MUFG will aim to realize effective corporate governance through fair and highly transparent management based on the guidance provided by MUFG Corporate Governance Policies established in May 2015.

## Steps to Improve Our Governance Structure

Since its establishment, MUFG has worked to build a stable and effective corporate governance structure, putting emphasis on ensuring external oversight. In June 2015, MUFG transitioned to the “company with

three committees” governance structure. The functions of oversight and execution in the holding company are separated, thereby strengthening the oversight function of the Board of Directors and the committee system has also been reorganized for more effective governance. We are aiming for a governance framework that will be more familiar and transparent to overseas stakeholders, in line with our status as a G-SIB (Global Systemically Important Bank). In June 2017, two foreign nationals were appointed as directors to further diversify the Board of Directors.

In June 2018, the number of directors was decreased from 18 to 15, with outside directors accounting for the majority of the Board of Director membership. This move is intended to boost our efforts to enhance the quality of discussions at the Board while

strengthening its supervisory functions.

Meanwhile, the Nominating and Governance Committee engages in the nomination of multiple director candidates from individuals inside and outside the MUFG Group. In fiscal 2017, the committee nominated two new director candidates after examining a number of potential candidates in terms of their backgrounds and expertise from multilateral perspectives.

In addition, we have overhauled senior advisor systems operated by the Bank, the Trust Bank and the Securities. These systems have been transitioned to the new senior advisor system now in place at these entities.

## Evaluation Framework of the Working Practices of the Board of Directors’ Operation

Since 2013, MUFG has employed external consultants to evaluate the working practices of its Board of Directors. Each director is asked to fill in a questionnaire and is interviewed on such subjects as the composition of key committees, the quality of the preparatory materials assembled prior to each meeting, the content of discussions, the operations of the Board, the Board’s contributions, and the

performance of executive members. The results of these questionnaires and interviews are reported to and discussed at the Nominating and Governance Committee and the Board of Directors.

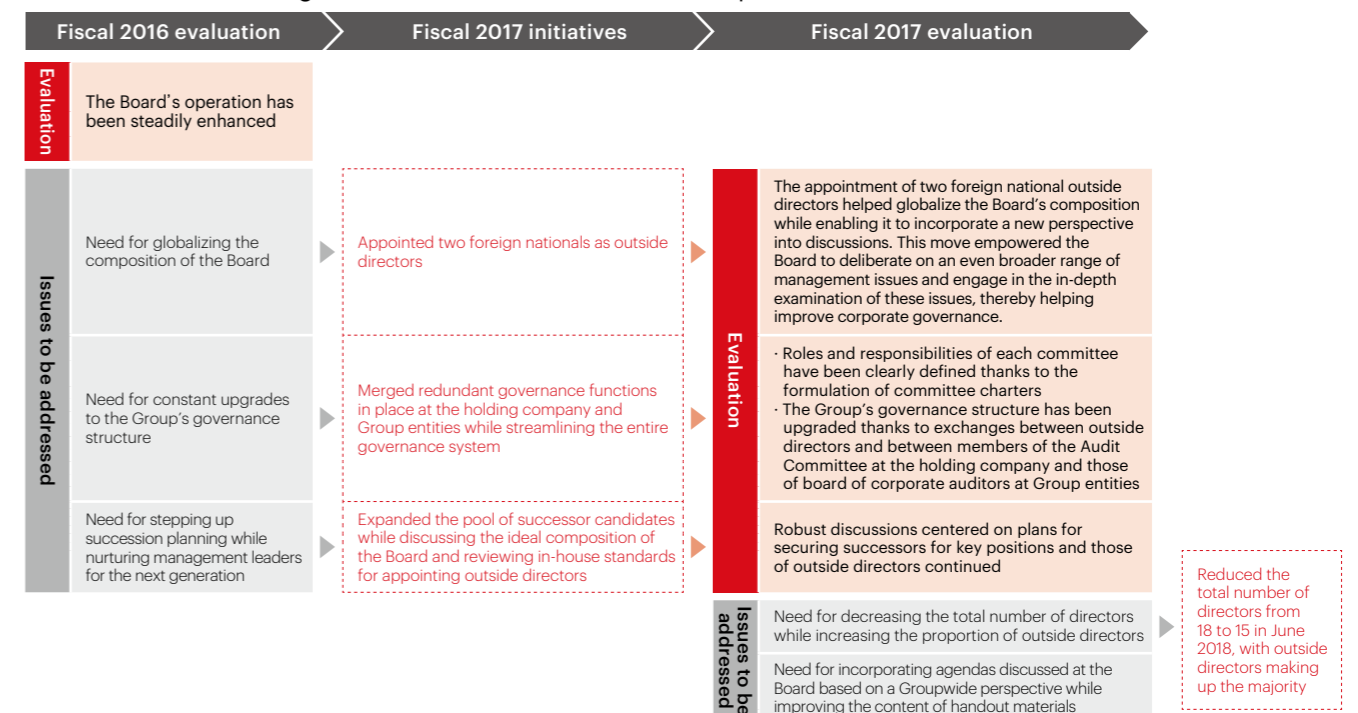
In fiscal 2017, MUFG appointed two foreign nationals as outside directors, based on the results of the fiscal 2016 evaluation. This move effectively globalized its composition, enabling the Board of Directors to embrace a new perspective when discussing overseas operations, risk management and governance issues and empowering it to deliberate on an even broader range of management issues as well as to engage in the in-depth examination of these issues. Thanks to this, the fiscal 2017 evaluation concluded that the appointment of these directors helped MUFG improve its corporate governance. On the other hand, the fiscal 2017 evaluation also identified a need for increasing the proportion of outside directors. Therefore, in June 2018, MUFG reduced the total number of directors as described above while securing the outside directors that account for the majority.

We are continuously upgrading the functions of the Board of Directors via the implementation of a PDCA cycle.

## Corporate Governance Development

	October 2005 Establishment of MUFG	June 2013	June 2014	June 2015	June 2016	June 2017	June 2018
<b>Governance Structure</b>	Company with a Board of Corporate Auditors			Company with Three Committees			
<b>Outside Directors</b>	2005 Four	2006 Three	2012 Two	Three	Five	Six	Seven
						Eight (Two foreign nationals)	Eight (To make up the majority)
<b>Committees under the Board of Directors</b>				Governance Committee			
	2005 Nomination Committee	2008 Nomination and Compensation Committee		Nominating and Governance Committee (Statutory Nominating Committee)			
	2005 Compensation Committee	Compensation Committee (Statutory)					
	2005 Internal Audit and Compliance Committee			Audit Committee (Statutory)			
	Risk Committee						
<b>Advisory Board</b>	2005 Advisory Board				U.S. Risk Committee		
	Global Advisory Board			Integrated into the Global Advisory Board			
<b>Board of Directors Operations</b>	Evaluation of Board of Directors						
<b>Policy</b>				Independent Outside Directors Meeting/ Appointment of Lead Independent Outside Director			
				MUFG Corporate Governance Policies			

## Evaluation of the Working Practices of the Board of Directors’ Operation



Upgrading the Governance Framework

**Utilizing Insights Offered by Outside Directors**

We believe that insights offered by outside directors are essential to enhancing the content of discussions at the Board of Directors Meetings. MUFU is striving to ensure that outside directors are given sufficient information about agenda items prior to Board meetings. For example, we provide materials before meetings and give presentations. In addition, we hold meetings to help them understand MUFU's business and management environment immediately upon their appointment and on a regular basis during their terms of service.

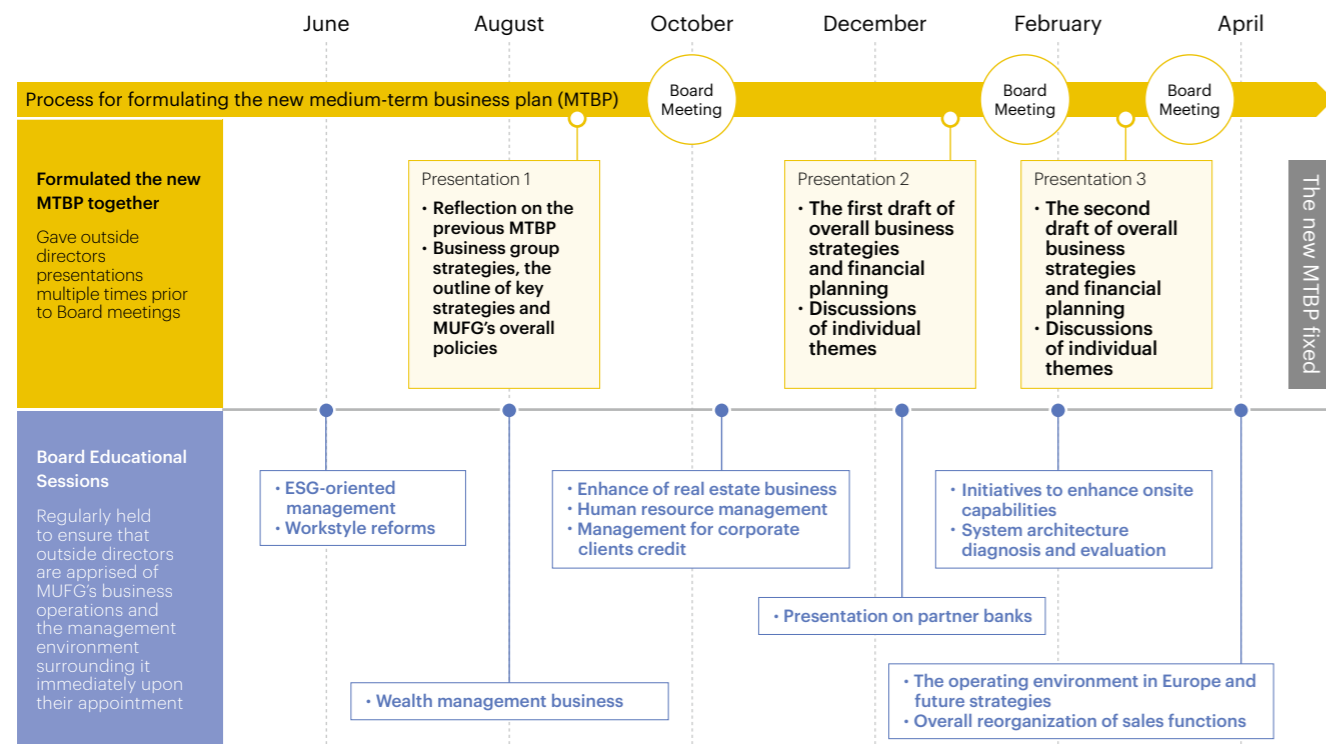
In fiscal 2017, formulating the new medium-term business plan, we gave presentations to outside directors multiple times prior to Board meetings. These presentations encompassed strategies formulated by each business group and MUFU's digital transformation initiatives as well as MUFU's overseas business operations, human resource strategies and financial planning. Valuable feedback provided by outside directors included the following statements: "MUFU should formulate concrete initiatives at the earliest possible time to increase the

feasibility of the planned targets," "It is important to ensure that MUFU's management strategies are understood and supported by those on the sales frontlines" and "The long-term policies need a PDCA-based management approach employing process KPIs."

In addition, outside directors have opportunities outside the Board and committee meetings to intensively deliberate on the MUFU Group's business strategies and issues. Moreover, we strive to secure robust communication between outside directors and MUFU's managerial positions by holding special meetings on multiple occasions. A series of such meetings held in fiscal 2017 helped attendees engage in active discussion of and exchange their insights into such topics as ESG-oriented management—one of the key management issues—and workstyle reforms in addition to addressing issues associated with our human resources management strategies and reviewing operations undertaken by overseas investees acting as partner banks.

These initiatives, in turn, helped enhance the quality of discussions at the Board meetings and our corporate governance as a whole.

**Incorporating Outside Directors' Perspectives Into Key Management Themes**



**Compensation System**

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

In May 2018, MUFU carried out a partial revision of this plan, incorporating ROE and the expense ratio into evaluation indices for determining stock compensation and bonuses for directors while increasing the proportion of performance-based compensation. This move is expected to better harmonize our compensation system with shareholders' interests.

**Outline of Compensation System**

**Underlying Concepts and Objectives**

MUFU's stance on the determination of compensation is focused on ensuring the steady implementation of its management policies and securing sustainable corporate expansion and medium- to long-term growth in corporate value. Accordingly, MUFU aims to better motivate recipients to contribute to growth in business performance not only in the short term but also over the medium to long term while discouraging an excessively risk-taking approach. MUFU also determines compensation by giving due consideration to its operating results, financial soundness and domestic and overseas regulatory requirements associated with compensation paid for these recipients.

**Content of Compensation**

- Compensation consists of three components, namely, basic compensation (fixed); stock compensation (linked to stock prices and medium- to long-term corporate performance); and bonuses

**Compensation System Overview**

Ratio*1	Type	Evaluation method	Payment
5.5	Basic Compensation (fixed)	Determined by the position and place of residence of individual officers, etc.	Monthly in cash
1	Stock Compensation (non-performance-based)	Corresponding to the base amount determined depending on position	At the time of retirement*7
3	Stock Compensation (performance-based*2)	Base amount determined depending on the position Performance factor*3 [medium/long-term evaluation] 1) Consolidated ROE 2) Consolidated expense ratio	Upon the termination of MTBP*7
1.5	Officers' Bonuses (short-term performance-based*2)	Base amount determined depending on the position Performance factor*5 1) Consolidated NOP 2) Profits attributable to owners of parent 3) Consolidated ROE 4) Consolidated expense ratio Status of the execution of the duties of the Officers, etc.*6	Annually in cash

\*1 As for the case of the president of MUFU \*2 Range: 0-150% \*3 Rate of attainment of targets of the indicators in the MTBP  
\*4 Comparison of the rate of increase in the indicators from the previous fiscal year with that of competitors  
\*5 Rate of increase/decrease of the indicators from the previous fiscal year and the rate of attainment of targets of these indicators  
\*6 Determined exclusively by independent outside directors at the Compensation Committee \*7 Subject to claw-back clause, etc.



## Upgrading the Governance Framework

(linked to short-term corporate performance). The proportion of each component is appropriately determined by giving due consideration to the concepts and objectives described above as well as duties carried out by each recipient

- Stock compensation plan utilizes a trust scheme and provides recipients with MUFG shares.
- As for compensation for the MUFG president's service for fiscal 2018 and later, the proportion of all three components is set equally (provided that stock compensation and bonuses have been paid in standard amounts.)

### Outline of Board of Directors and Committees

The Board of Directors is composed of 15 members,

of whom eight (the majority) are outside directors with a high degree of independence. Of the 15 directors, three (20%) are female, and two are foreign nationals appointed as outside directors from the United States and Thailand, respectively. The outside directors include a corporate manager, a financial specialist, a lawyer and a certified public accountant, and are a balanced group in terms of each constituent's area of specialty, country of origin and gender.

### Nominating and Governance Committee

The Committee is composed of outside directors and the President & CEO, with an outside director as Chairperson. The Committee decides on proposals for the appointment or dismissal of directors that are submitted to the General Meetings of Shareholders.

It also discusses matters related to the Chairman, Vice-Chairman, President, and other major management positions in the holding company or major subsidiaries and makes recommendations to the Board of Directors. It examines the corporate governance policy and framework and makes recommendations to the Board of Directors.

### Compensation Committee

The Committee is composed of outside directors and the President & CEO, with an outside director as Chairperson. The Committee decides the compensation policy for directors and corporate executive officers and also decides the details of individual compensation. It examines the compensation systems for senior management at the holding company and major subsidiaries and makes recommendations on establishment and reform to the Board of Directors.

### Audit Committee

The Committee is composed of outside directors and non-executive directors, with an outside director as Chairperson. The Committee examines the execution of business by directors and corporate executive officers and prepares auditing reports. It also examines the business and financial situation of the holding company and subsidiaries, conducting fieldwork where necessary.

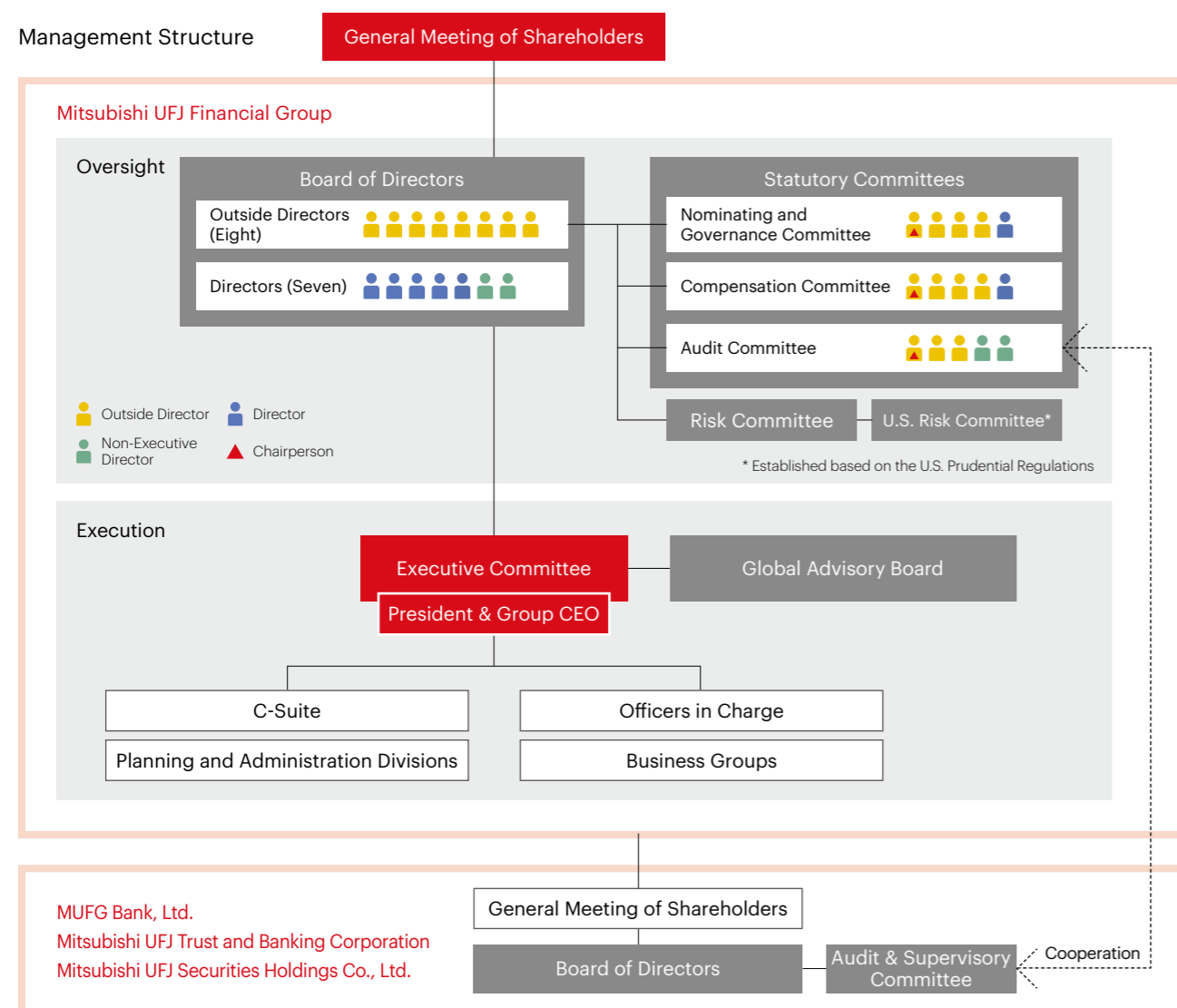
### Risk Committee

The Committee is composed of corporate executive officers, outside directors and outside expert members, with an outside director as Chairperson. The Committee examines matters related to groupwide risk management and reports to the Board of Directors. It examines important issues of the overall risk management matters and issues relating to the top risk matters, as well as other issues that need to be examined by the Risk Committee and makes recommendations to the Board of Directors.

### U.S. Risk Committee

The U.S. Risk Committee is composed of the members of MUFG Americas Holdings Corporation (the Americas HD) Risk Committee, (a) delegate(s) from MUFG, a Regional Executive for the Americas and the CEO of the Americas HD. Chaired by the head of the Americas HD Risk Committee, the U.S. Risk Committee deliberates on all types of risk in the United States, reports and makes recommendations to the MUFG Risk Committee in addition to overseeing the status, control and management of the material risks to which MUFG's operations in the country may be exposed and overall risk management framework with respect to MUFG's operations in the U.S.

### Management Structure



Membership includes outside directors and committee members

(As of June 28, 2018)

### Committee Membership

		Nominating and Governance Committee	Compensation Committee	Audit Committee	Risk Committee
Hiroshi Kawakami	Outside director	○	○	○	
Yuko Kawamoto	Outside director	○	○		◎
Haruka Matsuyama	Outside director	○	◎		
Toby S. Myerson	Outside director				○
Tsutomu Okuda	Outside director	◎	○		
Yasushi Shingai	Outside director			○	○
Tarisa Watanagase	Outside director				○
Akira Yamate	Outside director			◎	
Tadashi Kuroda	Non-executive director			○	
Junichi Okamoto	Non-executive director			○	
Nobuyuki Hirano	Director President & Group CEO	○	○		
Naomi Hayashi	Managing corporate executive Group CSO				○
Akira Ariyoshi	Outside expert, graduate school professor				○
Kenzo Yamamoto	Outside expert				○

(As of June 28, 2018)

## Upgrading the Governance Framework

# Pursuing the Best Long-Term Interests of Our Shareholders

Toby S. Myerson

Chairman & CEO, Longsight Strategic Advisors LLC  
An attorney at law in the States of New York and California, Mr. Myerson practiced corporate law in New York for four decades. In January of 2017, he founded a strategic advisory firm, where he serves as Chairman & CEO, to give business and strategy advice to global companies. He also serves as Lead Outside Director of both MUFG Union Bank, N.A. and MUFG Americas Holdings Corporation. He was appointed Outside Director of MUFG in 2017.



**Q: In your opinion, we would like to know if you think MUFG has the corporate governance framework it needs to succeed as a global company?**

The answer is certainly yes, for reasons I will explain. At the same time, it's important to recognize that good governance is not a destination, it's an ongoing journey.

Corporate governance is really a process that requires continuous improvement. In terms of where MUFG is today, let's start with the Board of Directors: We have eight outside directors, with individuals representing three nationalities. Three of the eight outside directors are female. The directors have experience in industry and finance, the professions like law and accounting, and the bank regulatory community, so we have a diversity of experience and a diversity of human beings. Importantly, following this year's annual shareholder meeting, outside directors will represent a majority of the Board of Directors. That's an extremely important development.

As a result, the dialogue at the Board level is very engaged and proactive. We present a credible challenge to management with regard to business strategies, risk appetite, corporate culture and other aspects of MUFG's business – with an eye on global standards.

Having said all this, there are always ways to improve and we are hard at work on it. I think we're in a good place and we are headed in the right direction in terms

of the internationalization of our business and governance and the diversity of Board members.

**Q: MUFG launched a new medium-term business plan in April 2018. Could you tell us about your participation as an outside director in the formulation of long-term strategy plans?**

The role of the Board is oversight. We are not members of management. What we bring to the table is a keen desire to understand what the plans and strategies are and to understand analytics that underpin them – both the upside and the downside. It's important for us to understand the goals and objectives, the costs of achieving them, in both financial and human terms, and the execution risks. It's vital that we receive high-quality information and that we receive from management thoughtful and detailed analyses and support for their strategies.

In the Boardroom we engage in lively and detailed discussions so we can understand what sort of returns the Bank is intending to achieve and what kinds of business risks are inherent in each strategy. Here's where the credible challenge comes in. We also consider the environmental, societal and governance ("ESG") components of each new strategy. ESG is a new and evolving discipline that the Bank is using with new business strategies in order to enhance the positive aspects of the way the Bank does business as a global financial institution.

In short, the directors are seeking to be well-informed and to engage very proactively with management, so that in our oversight role we can be sure that management is implementing plans and strategies that are in the best long-term interests of its shareholders and other constituents.

**Q: What are your views on MUFG's Re-Imagining Strategy, which was announced in May 2017?**

The Re-Imagining Strategy is breathtaking in scope. It's also very necessary. The kind of change contemplated by the Strategy is essential for MUFG's future, and it's critically important that it be executed well.

The Re-Imagining Strategy has three basic components: focus on our customers and determine how we can serve them best; realign our businesses without regard to historical legal entities, so executives in a given business are working together in a cooperative and streamlined fashion; and introduce digital technologies to promote efficiency, speed and transparency. It is completely logical, appropriate, and absolutely necessary for MUFG retain its position of leadership and to achieve its financial and societal goals for the future.

The most challenging part over the next few years—during the course of this new medium-term business plan and the one that follows—is implementation. The pace of change in Japan is generally slow. One of the things that we as directors are trying to encourage management to do is to execute on and implement the Re-Imagining Strategy as quickly as they can, consistent with maintaining the safety and soundness of the institution and careful risk management.

**Q: What do you think are MUFG's main strengths?**

When I think about MUFG compared to other large global banks, I believe MUFG's excellent reputation, strong culture, integrity and the commitment of its people are tremendous assets. Starting with the tone at the top, MUFG employees are truly outstanding in the integrity they bring to their jobs, to the business challenges they confront and in the way they serve customers.

Let me say a word about the conduct of the business.

MUFG's approach to planning and business execution is very thoughtful, strategic and customer centric, and these are significant strengths. As a result of this approach, MUFG avoided many of the serious problems other institutions encountered during the recent global financial crisis because it "did the right thing" in serving its customers and by not taking on excessive risk.

Sometimes, people say MUFG is a bit too cautious. While MUFG is now making transformational investments in technology, there are other large financial institutions, particularly non-Japanese banks, that are technologically more advanced and that have greater product diversity. But MUFG is very focused on what needs to be done, and the Re-Imagining Strategy is a carefully thought out and ambitious plan.

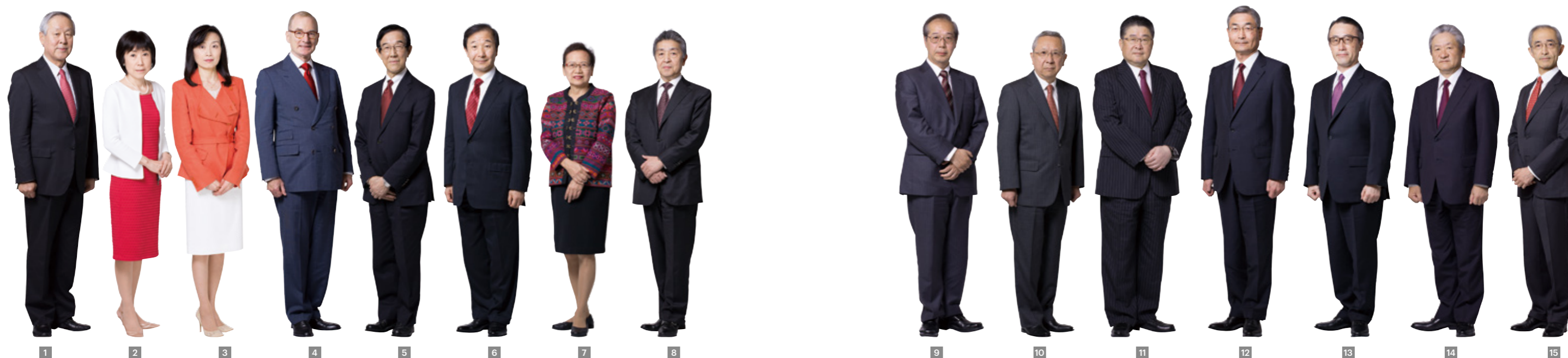
As mentioned, MUFG came through the financial crisis extremely strong financially and culturally, whereas other institutions were weakened and destabilized. MUFG's financial strength and stability have made the organization a very attractive place for people to work, and, as a result, MUFG was able to hire some extremely talented, world class individuals. I think the people component of the Bank has been significantly enhanced in recent years.

**Q: Please tell us how MUFG is benefiting by having you concurrently serve as a director at MUFG and MUFG Americas Holdings Corporation.**

One of the things we are working on is more direct connectivity between MUFG in Tokyo and the Bank's operations in North America, with more and better information flowing in both directions. I am very pleased to be a part of that. I am able to talk to the members of the Board of MUFG about governance practices, risk strategies, technology issues and other things that we are grappling with in North America, which not only helps the MUFG Board be better informed about our operations in the United States, but also helps provoke thought and discussion about the Japanese and other aspects of MUFG's businesses. Conversely, I think it's very helpful to management and the boards in the U.S. to understand more about what the parent Board is thinking about the U.S. operations. So the information flow is enhanced in both directions, generating better communication and the cross-pollination of ideas.



Upgrading the Governance Framework



Board of Directors

As of July 1, 2018

Member of the Board of Directors (Outside Director)

**Hiroshi Kawakami** 1

Advisor, Central Japan International Airport  
Mr. Kawakami joined TOYOTA in 1972. He became a managing executive officer of TOYOTA in 2003 and a senior managing director in 2007. In 2008, he became vice president of Toyota Tsusho Corp. and in 2009, he was appointed as president of the Central Japan International Airport Co., Ltd. In June 2015, he became a senior advisor of Central Japan International Airport as well as an outside director of MUFG (incumbent). In 2016, he became an outside director of AT-Group Co., Ltd. (incumbent) and, in 2017, he was appointed as advisor for the Central Japan International Airport (incumbent).

Member of the Board of Directors (Outside Director)

**Yuko Kawamoto** 2

Professor, Waseda Graduate School of Business and Finance

After working at Bank of Tokyo from 1982 to 1986, Ms. Kawamoto joined McKinsey & Company in 1988. At McKinsey, she was promoted to senior expert of the Tokyo branch in 2001. After leaving McKinsey, she took up a professorship at the Waseda Graduate School of Finance, Accounting and Law (current name: Business and Finance) in 2004 (incumbent). From 2006, she has served as an outside audit and supervisory board member of Tokio Marine Holdings, Inc. (Retired in June 2018). She became a director of MUFG in 2013, and, a member of the National Public Safety Commission in 2014 (incumbent). In 2016, Ms. Kawamoto was appointed as an outside director of MUFG (incumbent).

Member of the Board of Directors (Outside Director)

**Haruka Matsuyama** 3

Lawyer, Partner, Hibiya Park Law Offices  
Ms. Matsuyama became an assistant judge to the Tokyo District Court in 1995. Upon becoming an attorney-at-law and joining the Daini Tokyo Bar Association in 2000, she joined Hibiya Park Law Offices, where she was promoted to partner in 2002. She also became an outside corporate auditor of Vitec Co., Ltd. in 2012, an outside director of T&D Holdings, Inc. in 2013 (incumbent), and an external corporate auditor of Mitsui & Co., Ltd. in 2014. In 2014, she became an outside director of MUFG (incumbent) and in 2015, became an outside director of VITEC HOLDINGS CO., LTD (incumbent).

Member of the Board of Directors (Outside Director)

**Toby S. Myerson** 4

Lawyer, Chairman & CEO, Longsight Strategic Advisors LLC

Mr. Myerson has been registered as attorney at law of California and New York, U.S., since 1977. He has held top management positions in a career spanning four decades, most recently as Partner and as a Co-Chair of Global Mergers and Acquisitions at Paul, Weiss, Rifkind, Wharton & Garrison LLP. He left the firm in December 2016 and founded a strategic advisory firm in January, 2017 where he serves as Chairman & CEO (incumbent). He also serves as an outside director of both MUFG Union Bank, N.A. and MUFG Americas Holdings Corporation. He was appointed as an outside director of MUFG (incumbent) in 2017.

Member of the Board of Directors (Lead Independent Outside Director)

**Tsutomu Okuda** 5

Special Advisor, J. Front Retailing

Mr. Okuda joined The Daimaru, Inc. in 1964. In 1997, he was named president of Daimaru and in 2003 chairman and chief executive officer. In 2007, he assumed the office of president and chief executive officer of J. Front Retailing Co., Ltd., where he became chairman and chief executive officer in 2010. Since 2014, he has served as a senior advisor of the company and became a special advisor in 2018 (incumbent). In 2014, He was appointed as an outside director of MUFG (incumbent).

Member of the Board of Directors (Outside Director)

**Yasushi Shingai** 6

Former Representative Director and Executive Vice President of Japan Tobacco Inc.

Mr. Shingai joined Japan and Salt Public Corporation (now Japan Tobacco Inc., hereafter "JT") in 1980. In July 2001, he was appointed as general manager of the Financial Planning Department of JT, and as an executive officer and a Finance Group Leader in June 2004. At the same firm, he became a chief financial officer in 2004, then a director and chief financial officer in 2005. In June 2006, he assumed the office of executive vice president of JT International S. A. while serving as a director of JT. In June 2011, he took office as representative director and executive vice president of JT. In June 2014, he was appointed as an outside director of Recruit Holdings Co., Ltd. (retired in June 2018). In January 2018, he became a director of JT. In March 2018, he was appointed as an outside director of Asahi Group Holdings, Ltd. (incumbent) and in June 2018, he was appointed an outside director of MUFG (incumbent).

Member of the Board of Directors (Outside Director)

**Tarisa Watanagase** 7

Former Governor of the Bank of Thailand

Ms. Watanagase first joined the Bank of Thailand in 1975. During her career as a central banker, she was seconded to the International Monetary Fund (IMF) in 1988 and served as an economist. In 2002, she assumed the position of deputy governor of the bank. From 2006 to 2010, she served as governor of the central bank of the country. Since 2013, she has served as an outside director of The Siam Cement Public Company Limited (incumbent). She was appointed as an outside director of MUFG in 2017 (incumbent).

Member of the Board of Directors (Outside Director)

**Akira Yamate** 8

Certified Public Accountant

Mr. Yamate joined Price Waterhouse in 1977, becoming a certified public accountant in 1983. In 1991, he became a representative partner of Aoyama Audit Corporation and a Partner of Price Waterhouse. In 2000, he became a representative partner of Chuo Aoyama Audit Corporation and a partner of Pricewaterhouse Coopers. From 2006 to 2013, he served as a representative partner of Pricewaterhouse Coopers Aarata. In 2013, he was appointed as a corporate auditor of Nomura Real Estate Holdings and Nomura Real Estate. In June 2015, he was appointed as an outside director of MUFG (incumbent) and in the same year appointed as an external director of Nomura Real Estate Holdings (incumbent) and an external corporate auditor of Prudential Holdings of Japan (incumbent).

Member of the Board of Directors

**Audit Committee Member**

**Tadashi Kuroda** 9

Mr. Kuroda joined Sanwa Bank in 1981. In 2014, he was appointed as member of the board of directors, managing executive officer of MUFG and in the same year as a director of Mitsubishi UFJ Trust and Banking. In June 2015, he was appointed as a member of the board of directors, senior managing corporate executive of MUFG, as well as a member of the board of directors, senior managing executive officer of Bank of Tokyo-Mitsubishi UFJ. In June 2018, he was appointed member of the board of directors and member of the Audit Committee of MUFG (incumbent).

Member of the Board of Directors

**Audit Committee Member**

**Junichi Okamoto** 10

Mr. Okamoto joined Toyo Trust and Banking in 1980. In 2010, he was appointed as managing executive officer of Mitsubishi UFJ Trust and Banking (hereafter "the Trust Bank") and executive officer of MUFG. In 2013, he became a director, deputy president and executive officer of the Trust Bank and a member of the board of directors of MUFG in 2013. He was appointed as a senior managing corporate executive of MUFG in 2015. In June 2017, he was appointed as a member of the board of directors and member of the Audit Committee of MUFG (incumbent).

Member of the Board of Directors, Chairman

**Kiyoshi Sono** 11

Deputy Chairman of the Board of Directors, MUFG Bank, Ltd.

Mr. Sono joined Sanwa Bank in 1976. In 2012, he was appointed member of the board of directors, deputy President of Bank of Tokyo-Mitsubishi UFJ (now MUFG Bank, Ltd., hereafter "the Bank") and managing executive officer of MUFG. In 2014, he became chairman of the board of directors of MUFG as well as deputy chairman of the board of directors of the Bank (incumbent). In June 2015, he was appointed as member of the board of directors and chairman of MUFG (incumbent).

Member of the Board of Directors

**Deputy Chairman**

**Mikio Ikegaya** 12

President & CEO, Mitsubishi UFJ Trust and Banking Corporation  
Mr. Ikegaya joined Mitsubishi Trust and Banking in 1981. In June 2015, he became senior managing director of Mitsubishi UFJ Trust and Banking (hereafter "the Trust Bank"), and managing executive officer of MUFG. In April 2016, he was appointed as president & CEO of the Trust Bank (incumbent). In June 2016, he became a member of the board of directors and deputy chairman of MUFG (incumbent).

Member of the Board of Directors

**Deputy Chairman**

**Kanetsugu Mike** 13

President & CEO, MUFG Bank, Ltd.

Mr. Mike joined Mitsubishi Bank in 1979. He was appointed as a regional executive for the Americas at MUFG and Bank of Tokyo-Mitsubishi UFJ (now MUFG Bank, Ltd., hereafter "the Bank"), and executive chairman of the board at MUFG Americas Holdings Corporation and MUFG Union Bank, N.A., in 2015. He was appointed as a senior managing corporate executive of MUFG and as a member of the board of directors, deputy president of the Bank in 2016. He became president & CEO of the Bank (incumbent) and member of the board of directors and deputy chairman of MUFG (incumbent) in June 2017.

Member of the Board of Directors

**Deputy Chairman**

**Saburo Araki** 14

President & CEO, Mitsubishi UFJ Securities Holdings Co., Ltd.  
President & CEO, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.  
Mr. Araki joined Mitsubishi Bank in 1981. In 2012, he was appointed as member of the board of directors of MUFG and member of the board of directors, managing executive officer of Bank of Tokyo-Mitsubishi UFJ. In April 2018, he was appointed as president & CEO of Mitsubishi UFJ Securities Holdings Co., Ltd. (incumbent) and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (incumbent). In June 2018, he became member of the board of directors and deputy chairman of MUFG (incumbent).

Member of the Board of Directors

**President & Group CEO**

**Nobuyuki Hirano** 15

Chairman of the Board of Directors, MUFG Bank, Ltd.

Mr. Hirano joined Mitsubishi Bank in 1974. In 2009, he was appointed as member of the board of directors, deputy president of Bank of Tokyo-Mitsubishi UFJ (now MUFG Bank, Ltd., hereafter "the Bank") and managing executive officer of MUFG. In 2010, he became member of the board of directors, deputy president of MUFG. In 2012, he became president & CEO of the Bank, and a year later, in 2013, he became president of MUFG. In June 2015, he was appointed as member of the board of directors and president & group CEO of MUFG (incumbent). In April 2016, he became chairman of the board of directors of the Bank (incumbent).

(Note) Mr. Hiroshi Kawakami, Ms. Yuko Kawamoto, Ms. Haruka Matsuyama, Mr. Toby S. Myerson, Mr. Tsutomu Okuda, Mr. Yasushi Shingai, Ms. Tarisa Watanagase and Mr. Akira Yamate are outside directors as defined in Article 2, Item 15 of the Companies Act.



Upgrading the Governance Framework

As of July 1, 2018

Board of Directors

Name	Position in MUFG*1	Main Business Experience	Attendance at Board Meetings	Type and Number of MUFG Shares Owned*2	Area of Specialty
 Hiroshi Kawakami	Member of the Board of Directors*3 Nominating Member Compensation Member Audit Member	Former Senior Managing Director of TOYOTA MOTOR CORPORATION	11/11	—	Corporate management
 Yuko Kawamoto	Member of the Board of Directors*3 Nominating Member Compensation Member Risk Member (Chairperson)	Professor, Waseda Graduate School of Business and Finance	11/11	Ordinary Shares: 25,600	Finance
 Haruka Matsuyama	Member of the Board of Directors*3 Nominating Member Compensation Member (Chairperson)	Lawyer Partner, Hibiya Park Law Offices	11/11	Ordinary Shares: 2,400	Legal affairs
 Toby S. Myerson	Member of the Board of Directors*3 Risk Member	Lawyer Former Partner of Paul, Weiss, Rifkind, Wharton & Garrison LLP	9/9*4	—	Legal affairs
 Tsutomu Okuda	Member of the Board of Directors*3 (Lead Independent Outside Director) Nominating Member (Chairperson) Compensation Member	Former President and Chief Executive Officer of J. Front Retailing Co., Ltd.	11/11	Ordinary Shares: 16,800	Corporate management
 Yasushi Shingai	Member of the Board of Directors*3 Audit Member Risk Member	Former Representative Director and Executive Vice President of Japan Tobacco Inc.	—	—	Corporate management, Financial accounting
 Tarisa Watanagase	Member of the Board of Directors*3 Risk Member	Former Governor of the Bank of Thailand	9/9*4	—	Finance
 Akira Yamate	Member of the Board of Directors*3 Audit Member (Chairperson)	Certified Public Accountant	11/11	—	Financial accounting

Name	Position in MUFG*1	Concurrent Positions	Attendance at Board Meetings	Type and Number of MUFG Shares Owned*2
 Tadashi Kuroda	Member of the Board of Directors Audit Member		11/11	Ordinary Shares: 94,900 Dilutive Shares: 87,303
 Junichi Okamoto	Member of the Board of Directors Audit Member		9/9*4	Ordinary Shares: 172,300
 Kiyoshi Sono	Member of the Board of Directors Chairman	Deputy Chairman of the Board of Directors, MUFG Bank Director, Mitsubishi UFJ NICOS	11/11	Ordinary Shares: 57,920 Dilutive Shares: 500,423
 Mikio Ikegaya	Member of the Board of Directors Deputy Chairman	President & CEO, Mitsubishi UFJ Trust and Banking	9/11	Ordinary Shares: 42,630 Dilutive Shares: 286,490
 Kanetsugu Mike	Member of the Board of Directors Deputy Chairman	President & CEO, MUFG Bank	9/9*4	Ordinary Shares: 31,455 Dilutive Shares: 330,031
 Saburo Araki	Member of the Board of Directors Deputy Chairman	President & CEO, Mitsubishi UFJ Securities Holdings President & CEO, Mitsubishi UFJ Morgan Stanley Securities	—	Ordinary Shares: 32,680 Dilutive Shares: 355,536
 Nobuyuki Hirano	Member of the Board of Directors President & Group CEO Nominating Member Compensation Member	Chairman of the Board of Directors, MUFG Bank Director, Morgan Stanley	11/11	Ordinary Shares: 42,400 Dilutive Shares: 599,468


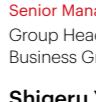
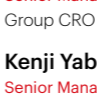
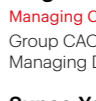
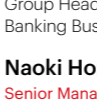
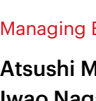
\*1 Nominating Member: Member of the Nominating and Governance Committee Audit Member: Member of the Audit Committee Compensation Member: Member of the Compensation Committee Risk Member: Member of the Risk Committee

\*2 As of March 31, 2018

\*3 Mr. Hiroshi Kawakami, Ms. Yuko Kawamoto, Ms. Haruka Matsuyama, Mr. Toby S. Myerson, Mr. Tsutomu Okuda, Mr. Yasushi Shingai, Ms. Tarisa Watanagase and Mr. Akira Yamate are outside directors as defined in Article 2, Item 15 of the Companies Act.

\*4 Attendance at meeting of the board of directors, etc. for Mr. Toby S. Myerson, Ms. Tarisa Watanagase, Mr. Junichi Okamoto and Mr. Kanetsugu Mike refers to the meetings held after they assumed the post of Member of the Board of directors in June 2017.

Corporate Executives

 Kiyoshi Sono Chairman (Representative Corporate Executive)	 Akira Hamamoto Senior Managing Corporate Executive Group CCO & Group CLO	 Masato Miyachi Senior Managing Corporate Executive Group Head, Global Corporate & Investment Banking Business Group
 Mikio Ikegaya Deputy Chairman (Representative Corporate Executive)	 Masamichi Yasuda Senior Managing Corporate Executive Group CRO	 Shigeru Yoshifuji Managing Corporate Executive Group CAO Managing Director, Head of Internal Audit Division
 Kanetsugu Mike Deputy Chairman (Representative Corporate Executive)	 Kenji Yabuta Senior Managing Corporate Executive Group Head, Japanese Corporate & Investment Banking Business Group	 Sunao Yokokawa Managing Corporate Executive Group Head, Asset Management & Investor Services Business Group
 Saburo Araki Deputy Chairman (Representative Corporate Executive)	 Naoki Hori Senior Managing Corporate Executive Group Head, Retail & Commercial Banking Business Group	 Naomi Hayashi Managing Corporate Executive Group CSO
 Nobuyuki Hirano President (Representative Corporate Executive) Group CEO	 Hironori Kamezawa Senior Managing Corporate Executive Group CIO & Group CDTO	 CEO: Chief Executive Officer CSO: Chief Strategy Officer CFO: Chief Financial Officer CRO: Chief Risk Officer CHRO: Chief Human Resources Officer COO-I: Chief Operating Officer International CCO: Chief Compliance Officer CLO: Chief Legal Officer CAO: Chief Audit Officer CIO: Chief Information Officer CDTO: Chief Digital Transformation Officer
 Muneaki Tokunari Senior Managing Corporate Executive Group CFO	 Hiroschi Naruse Senior Managing Corporate Executive Group CHRO & Group Deputy CIO	
 Eiichi Yoshikawa Senior Managing Corporate Executive Group Head, Global Commercial Banking Business Group and Group COO-I		
 Shigeru Asai Senior Managing Corporate Executive Group Head, Global Markets Business Group		

Executive Officers

Managing Executive Officers	Executive Officers	
 Atsushi Murakami	 Randall Chafetz	 Denise DeMaio
 Iwao Nagashima	 Yasushi Itagaki	 Takemasa Niki
 Akio Ninomiya	 Naoki Isetani	 Shinjiro Yamamoto
 Toshihiko Mori	 Hiroki Kameda	 Katsunori Yokomaku
 Takayoshi Futae	 Takanori Sazaki	 Masahiro Kameda
 Masahiro Kuwahara	 Kazunori Yamagata	 Junichi Narikawa
 Tetsuro Shinohara	 Minoru Soutome	 Eiji Ihori
 Satoshi Takizawa	 Hiroyuki Ogata	 Kazuji Tanikawa
 Hitoshi Usui	 Masaki Enomoto	 Johannes Worsoe
 Tetsuya Yonehana	 Yutaka Miyashita	 Michael Coyne
 Stephen Cummings	 Shigeharu Sanada	 Jiro Omori
 Ritsuo Ogura	 Jun Togawa	 Kevin Cronin
 Kazuto Uchida	 Takayuki Yasuda	 Yushi Ando
 Kenichi Miyanaga	 Shuichi Yokoyama	 Yoshihisa Harata
 Mitsugu Enjoji	 Shinichi Arai	 Yukinori Shimoguchi
 Tsutomu Sambai	 Tomohiro Kimura	 Hiroshi Ikebe
 Takenobu Inaba	 Tai Nishida	 Hiroshi Takimoto
 Hisashi Kanamori	 Donna Delloso	 Takafumi Ihara
 Masakazu Ikeda	 Toru Fujita	 Hiroyuki Seki
 Masahiko Kato	 Masashi Kanematsu	 Yoshitake Manabe
 Akihiro Sugimura	 Masatoshi Komoriya	 Tetsuya Niimi
 Hiroyuki Hayashi	 Masashi Onodera	 Hideyuki Toriumi
 Makoto Kobayashi	 Masakazu Osawa	 Keitaro Tsukiyama
 Motoi Mitsuishi	 Hideaki Takase	 Hirochika Iwadare
 Atsushi Miyata	 Takuya Tanaka	 Hiroshi Kasugai
 Kiyoshi Sato	 Hiroshi Kanae	 Noriyuki Miyata
 Kazuo Koshi	 Fumitaka Nakahama	 Koji Nakayama
	Saiko Nanri	Koichiro Oshima
	Toshiki Ochi	Youichi Orikasa
	Tadashi Yamamoto	Hiroyuki Tomita
	Masayuki Tanaka	

Global Advisory Board

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



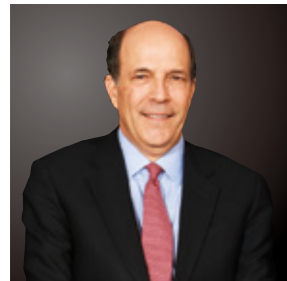
**Dr. Victor K Fung**

Group Chairman, Fung Group, Hong Kong  
Chairman of the Advisory Board, Asia Global Institute  
Former Honorary Chairman, the International Chamber of Commerce



**Dr. Gertrude Tumpel-Gugerell**

Member of Supervisory Board, Österreichische Bundesbahnen-Holding AG  
Former Member of Executive Board, European Central Bank



**Ambassador John V. Roos**

Former United States Ambassador to Japan



**Mr. Toshio Iwamoto**

Principal Executive Advisor  
NTT DATA Corporation



**Lord (James) Sassoon, Kt**

Director, Jardine Matheson Holdings Limited  
Former Commercial Secretary to the Treasury, United Kingdom



**Mr. Akio Mimura**

Honorary Chairman,  
Nippon Steel & Sumitomo Metal Corporation



**Associate Professor Simon S.C. Tay**

Chairman of the Singapore Institute of International Affairs  
Former Member of Parliament, Singapore



**Outline of Annual Meeting**

In December 2017, MUFG held an annual meeting of its Global Advisory Board in Tokyo. In addition to Global Advisory Board members, attendees included MUFG officers, directors, outside directors and representatives from overseas partner banks. They engaged in active discussion on a broad range of themes, including MUFG's business portfolio, the new medium-term business plan and latest developments in global politics.



Here, we showcase the content of these discussions.

**CEO Session**

At the beginning of the meeting, the Group CEO gave a presentation on the future outlook of the economic environment in Japan and abroad as well as issues MUFG is now confronting, overall policies under the new medium-term business plan and the MUFG Re-Imagining Strategy. In response, a number of attendees, including Global Advisory Board members, provided valuable advice. Some attendees recommended that quick action should be taken with a sense of urgency to address immediate issues, while others shared successful examples of business model reforms undertaken by overseas corporations.



**Policies Implemented by and Implications of the Trump Administration**

Members from the United States gave a presentation on the current status of the Trump administration and shared their outlook on foreign affairs and other key issues surrounding it. This was followed by an active exchange of opinions with regard to such topics as future U.S. monetary policies.

**Breakout Sessions**

In addition to the foregoing, breakout sessions were held to discuss such issues as operational reforms driven by digital technologies as well as a broad range of ESG-related topics. In particular, the session focused on digital technologies included a presentation given by the CDTO\* with regard to open innovation initiatives aimed at realizing MUFG's future vision. This presentation was followed by the exchange of insights and observations among attendees.

\* Chief Digital Transformation Officer



# Foundations of Value





# Maintaining a customer-centric approach, MUFG is sincerely committed to engaging in fair and transparent corporate activities.

We are endeavoring to improve our operations and service quality by incorporating customer feedback. Moreover, we are striving to enhance employee skills so that all customers can rest assured about our services.

## Concepts behind MUFG's Customer Relations

Ensuring the consideration of customer's perspectives and being fair and sincere in our undertakings are basic to our business operations.

In line with the Corporate Vision, MUFG has established the Principles of Ethics and Conduct, a set of standards each officer and employee should apply to their day-to-day business conduct and decisions.

Having stated at the top of these principles that we "place our diverse customers at the center of all activities," we are engaging in exhaustive initiatives to be the embodiment of this tenet.

## Pursuing Customer-Centric Business Management

MUFG holds periodic Customer Feedback Monitoring Meetings in which the representatives of Group companies assess how customers evaluate our products and services.

Key findings revealed via this meeting are reported to Fiduciary Duties Committee, which operates under the Executive Committee, and identified as important management issues to be addressed to enforce our customer-centric operational approach.

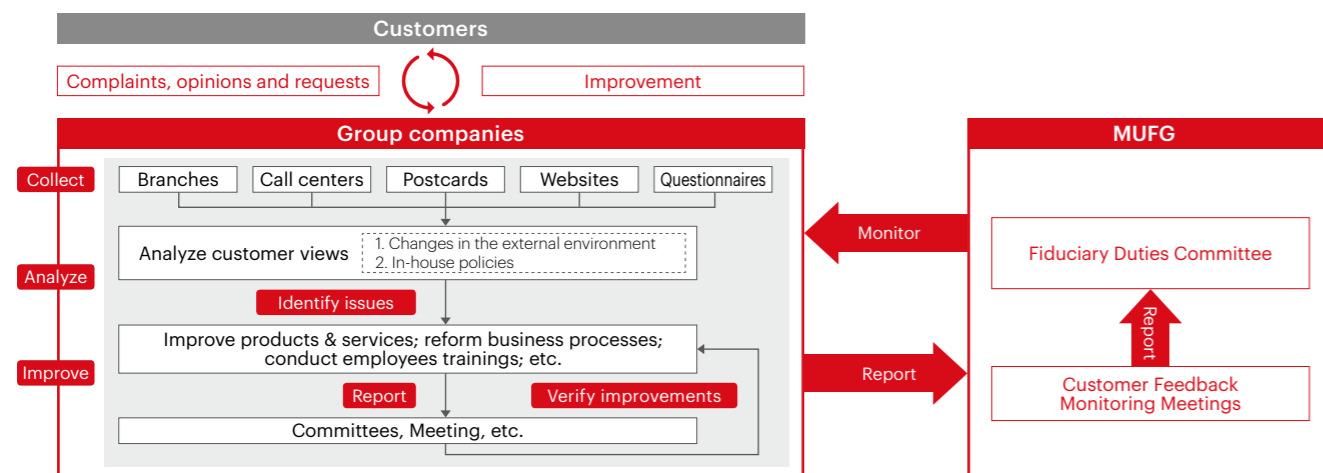
## Incorporating Customer Feedback to Improve Our Operations

### Monitoring System

For MUFG, comments and requests from customers constitute valuable assets. Each Group company is continually collecting, analyzing and sharing the "Voice of Customers", VOC, in order to improve their products and services.

In fiscal 2017, the number of such VOC received by Group companies totaled approximately 237,000.\* We made 458 improvements based on this activity.

\* The sum of MUFG Bank, Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Morgan Stanley Securities, Mitsubishi UFJ NICOS and ACOM

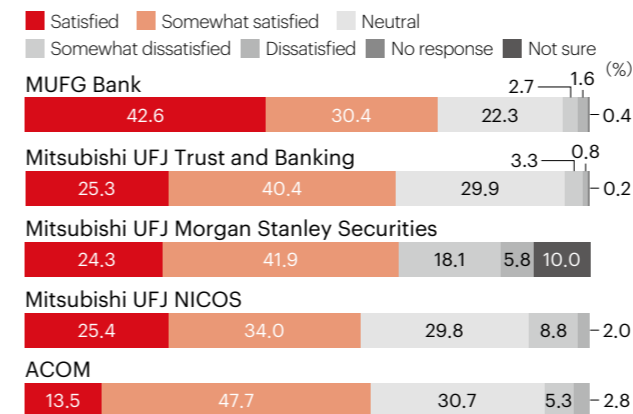


## Customer Satisfaction Surveys

To assess how customers evaluate our initiatives and whether our services meet customers' expectations, we conduct periodic customer satisfaction (CS) surveys, with each Group company sending out questionnaires by post and conducting online surveys. By doing so, we strive to improve product and service quality in a way that better satisfies needs of our customers.

For detailed results of CS surveys, please also visit the following page of our website. URL: <https://www.mufg.jp/english/csr/juten/customer/okyakusamanokoe/>

### Results of CS Surveys for Individual Customers (November–December 2017)



## Quality Improvement Initiatives

### Quality Management That Takes into Account the Customer's Perspective

To enhance the quality of our products and services, we closely examine their sufficiency to ensure that the customer's perspective is reflected in all aspects of business processes, which range from the planning, development and provision of products and services for after-sales.

### Training Our Employees to Enhance Customer Relations

Each Group company constantly provides training courses and study sessions to their employees. Those courses are not only for their specialty of business but also for enhancing their hospitality skills and/or improving customer satisfaction.

## Introducing Universal Design

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

## Enhancing Reception Skills

We provide staff at MUFG Bank and Mitsubishi UFJ Trust and Banking Corporation with training programs to enhance their customer reception skills to accommodate needs of the elderly and people with disabilities through the use of case studies on how to usher them at branches and explain our services and products to them.



A seminar focused on how to tend to customers with physical challenges (Mitsubishi UFJ Trust and Banking Corporation)

## Offering Services Using Sign Language and Communicating via Text

MUFG Bank and Mitsubishi UFJ NICOS offer customers with hearing disabilities or conversational handicaps services employing a teleconferencing system that connects them with operators who use sign language or communicate via text.

Note: These services available at MUFG Bank are on a trial basis and limited to the filing of applications for notifying the Bank of a loss or theft of bankbook or cash card.

# Nurturing Professionals and Encouraging Them to Pursue Higher Targets

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

With this in mind, under the new medium-term business plan we will step up the integrated management of our Group's human resources around the world.

## MUFG Human Resources Principles

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

- Shared Values
- HR Mission
- HR Vision
- HR Philosophy

For the full text of the MUFG Human Resources Principles, please also visit our corporate website. URL: <https://www.mufg.jp/english/csr/stakeholder/employee/principles/>

## Outline of the Human Resources Strategy under the Medium-Term Business Plan

To counter the harsh management environment, we will engage in human resources management aimed at supporting concerted efforts undertaken by operating companies, business groups and the

### Medium-Term Business Plan

#### Integrated management of groupwide human resources

Group HR management	Assist in smooth HR exchange
	Enhance training structure for the entire Group
	Revise HR system to nurture professionals with superior skills

#### Sophisticated HR management on a global basis

Global HR management	Unify HR systems for those working at the Bank and the Securities regardless place of their hiring
	Integrated management of employees in Japan and overseas
	Upgrade the management of overseas personnel costs

Allocate resources to the pursuit of operational streamlining and priority strategies

**All employees are offered greater career opportunities to engage in a broad range of MUFG operations at home and abroad**

corporate center to achieve the objectives of our new medium-term business plan.

Specifically, we will accelerate staff allocation and exchange in a way that transcends the boundaries of Group entities to assist in the execution of business strategies. Furthermore, we will manage employees in Japan and overseas in an integrated manner, thereby practicing more sophisticated human resources management on a global basis.

## Human Resources Development

To nurture human resources capable of contributing to the success of the MUFG Re-Imagining Strategy, we will provide employees with career opportunities that help them embrace a higher perspective and acquire a broader range of business experience.

## The Establishment of MUFG University

As we aim to secure a greater number of top management candidates capable of succeeding in accomplishing business reforms amid a rapidly

evolving operating environment, our plans call for establishing the MUFG University by the end of fiscal 2018.

The candidates will be selected from those in managerial positions and the university will provide them with a curriculum that brings together programs aimed at enhancing practical business skills and those centered on liberal arts and other academic disciplines. We will thus nurture human resources capable of applying a wider perspective to managing business and better attuned to future trends in the operating environment. In these ways, we will secure the people who will lead MUFG's business expansion in the future.

## Nurturing Employees with Multiple Skills

In addition to offering a broader range of career opportunities to employees, we will push ahead with workstyle reforms involving the greater use of robotics, AI and other technologies. Doing so will free employees from certain tasks while increasing the time they have available for engaging with customers. In order to deliver greater value to customers, it is also important for employees to acquire a broader range of skills and enhance these skills during their downtime at work.

Taking these factors into account, we believe that providing employees with greater opportunities to acquire a more extensive set of skills will become ever more important. In line with this belief, we are striving to enhance training systems aimed at instilling practical business skills. Furthermore, we are striving to enrich the content of programs that assist in self-directed studies, to this end developing e-learning programs that enable employees to study at home.

## Integrated Management of Human Resources around the Globe

Currently, the MUFG Group has approximately 60,000 employees hired in countries other than Japan. In an effort to ensure that all of them feel comfortable about being part of the MUFG workforce, we are stepping up employee training aimed at facilitating their understanding of MUFG culture. We have also introduced on-the-job (OJT) training programs in which overseas employees take on assignments in countries outside of their location of employment, such as in Japan.

Furthermore, we have established a unified talent management framework that applies to MUFG's human resources around the globe. On top of the previously existing separate human resource management systems in place for business units operating in each of the three regional blocs of EMEA, the Americas and Asia, we have established a single HR committee charged with ensuring the integrated management of human resources on an across-the-board basis.

Thanks to these ongoing efforts, ever greater numbers of those who were hired in countries abroad are taking on managerial positions at MUFG. For example, MUFG Bank executive officers include 13 people hired in countries abroad. Of these, four executive officers are female. Moreover, as a result of our broadening the range of career paths available to them, we have seen improved motivation among individuals hired overseas and their drive is helping to inspire their peers hired in Japan. In short, our approach to global human resources development is creating a more positive cycle.





**6 Workstyle Reforms**

**Promoting Diversity & Inclusion**

**Helping Strike a Balance between Work and Child Rearing**

Currently, around 3,800 MUFG Group employees\* are on childcare leave. Committed to assisting them in their ongoing career development, MUFG has introduced a counseling service that helps employees searching for childcare facilities and provides them with career information that addresses worries common to those caring for children. Moreover, in April 2018 we opened our second company-sponsored childcare facility.

\* As of March 31, 2018; total of MUFG Bank, Mitsubishi UFJ Trust and Banking, Mitsubishi UFJ Morgan Stanley Securities and Mitsubishi UFJ NICOS.



Children being cared at an MUFG childcare facility

In addition, MUFG encourages male employees to take childcare leave by, for example, presenting them with real-life examples of peers who have taken childcare leave without problem. Thanks to creative efforts undertaken by each Group entity, the number of male employees who take childcare leave has grown significantly.

**Helping Strike a Balance between Work and Nursing Care**

We hold seminars for employees that impart basic knowledge of nursing care and what it takes to strike a balance between work and the provision of nursing care. At the same time we operate a counseling service that employs external specialists who provide consultation on issues individuals are now facing. We have also initiated a web-based employee service that assists users in their search of nursing care facilities. In addition, we distribute a handbook of useful information regarding how to maintain an optimal balance between work and the provision of nursing care.

**Facilitating the Understanding of Sexual Minorities**

In July 2017, MUFG hosted the MUFG Global Diversity Forum in Tokyo. Approximately 200 employees attended this forum focused on facilitating the understanding of sexual orientation and gender identity issues, learning from the insights offered by outside experts who served as lecturers. The attendees also engaged in active discussion to increase their understanding.



MUFG Global Diversity Forum

In the United Kingdom, the Pride Alliance Network, which is supported by MUFG Group employees who belong to the LGBTQ community and their allies, raises awareness among their peers by hosting in-house events.

In the United States, we co-sponsor or participate in a variety of LGBTQ events. Moreover, MUFG Union Bank was awarded the full score on the Corporate Equity Index,\* which aims to assess whether members of sexual minorities are treated equally in the workforce, for the fifth consecutive year.

\* Index bestowed to businesses via a benchmarking scheme operated by the Human Rights Campaign Foundation, one of the United States' most prominent human rights organizations



**Stepping up Diversity Management**

For those in managerial positions, MUFG provides diversity management training so that they can acquire skills necessary to properly manage a diverse range of individuals and assist them with their career development efforts.

**Promoting Flexible Workstyles**

To provide employees with options for their workstyles, we have in place various programs, including those allowing them to work at home or to stagger their hours, and are promoting the programs' more widespread use.

We have also introduced free-seating and other innovative work space platforms aimed at creating an open and inclusive workplace environment.

**Assisting Women with Career Development**

Thanks to the initiatives described above, we have seen steady growth in the number of female employees who choose to continue with their careers and succeed in taking higher positions after such life events as childbirth. In fact, more than 96%\*<sup>1</sup> of MUFG Group employees return to the workforce after having a child. In addition, more than 20% of female employees are in managerial positions as of March 31, 2018. We aim to increase this ratio to 24%\*<sup>2</sup> by the end of fiscal 2021.

\*<sup>1</sup> The sum of employees at MUFG Bank, Mitsubishi UFJ Trust and Banking Corporation and Mitsubishi UFJ Morgan Stanley Securities who gave birth in fiscal 2016 and are included in the office headcount as of March 31, 2018

\*<sup>2</sup> The sum of MUFG Bank, Mitsubishi UFJ Trust and Banking and Mitsubishi UFJ Morgan Stanley Securities

**Targets Set by Each Entity to Raise the Number of Women Holding High-Ranking Positions\***

	Bank	Trust Bank	Securities
Female executives	3	1	-
Female managers (ratio to total managers)	17%	8%	120 or more (Approx. 7%)

\* Based on Japan's Act on Promotion of Women's Participation and Advancement in the Workplace; figures include only those hired in Japan. In addition, MUFG Bank and Mitsubishi UFJ Morgan Stanley Securities have set targets to be accomplished by March 31, 2021. The target set by Mitsubishi UFJ Trust and Banking Corporation is to be accomplished by March 31, 2019.

We are also striving to identify top management candidates from among this employee group. With each Group entity setting numerical targets, unique human resource initiatives are now under way, including joint training sessions aimed at helping candidates inspire one another, round-table meetings with executives and the provision of a mentoring

system. In these ways, we are encouraging candidates to embrace the perspective of a corporate manager.

**Supporting Individuals with Disabilities to Become Active Participants in the Workforce**

Under MUFG, we have three subsidiaries that are designed to provide barrier-free environments for individuals with disabilities.

For example, we accommodate the needs of those with hearing impairments by distributing voice recognition software that translates speech into text that displays on a digital screen and have installed alert lights to draw attention in emergency situations.

In another example, our employees are welcome to come to the office with their guide dogs.

**Percentage of Individuals with Disabilities in Our Workforce (as of April 1, 2018)**

MUFG Bank 2.27%\*  
 Mitsubishi UFJ Trust and Banking Corporation 2.37%\*  
 Mitsubishi UFJ Morgan Stanley Securities 2.20

Note: Statutory employment rate: 2.2%

\* Including special purpose subsidiaries and back office subsidiaries. For more details on initiatives undertaken by each Group entity, please also see our Diversity Report. URL: <https://www.muftg.jp/english/csr/employee/diversityreport/>



A round-table meeting with executives



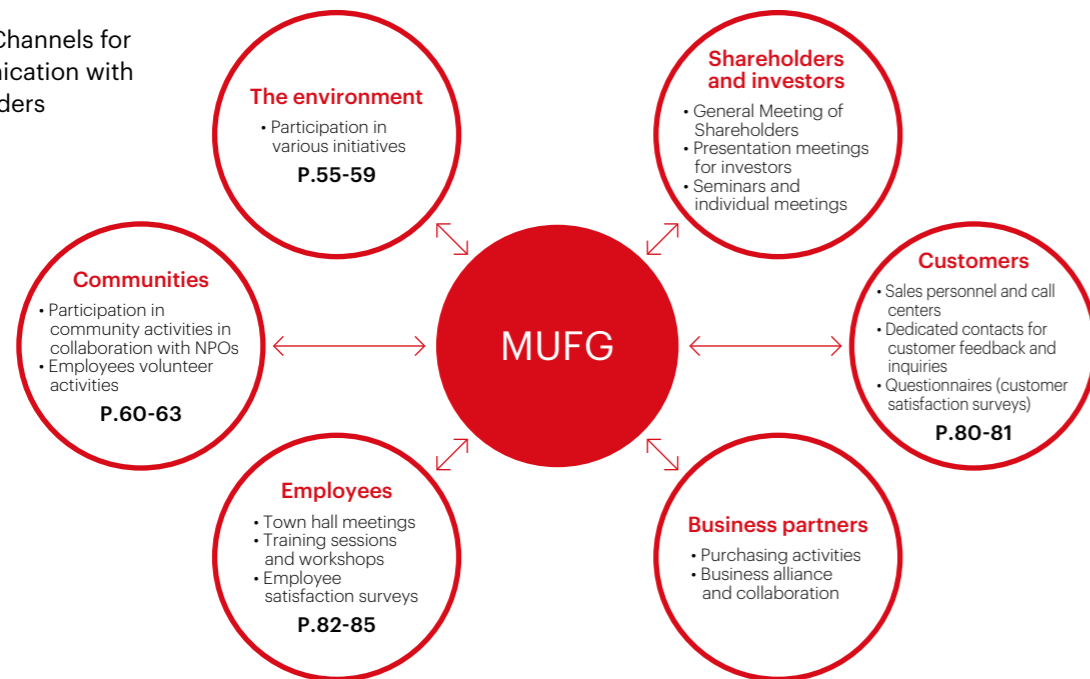
A joint training session for female managers



# Enhancing Our Corporate Value through Committed Engagement with Stakeholders

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

MUFG's Channels for Communication with Stakeholders



## Engagement with Communities, Local Societies and the Environment

MUFG employees proactively participate in volunteer activities and local events as members of the communities they serve. Such efforts are intended to enhance interaction with other community members and nurture ties with them.

At the same time, MUFG engages with NGOs and NPOs that work to resolve issues society is confronting, incorporating the insights and advice such bodies provide into its environmental, social and governance (ESG) initiatives. Moreover, MUFG takes part in a variety of external collaborative initiatives to address ESG issues and engages in

dialogue with other participants. By doing so, MUFG strives to maintain the trust and confidence of local societies at home and abroad.



MUFG Group employees engaging in cleanup activities in Seattle

## Dialogue with Shareholders and Investors

### General Meeting of Shareholders

The 13th Annual General Meeting of Shareholders was held on June 28, 2018. The number of attendees: 1,315

In addition to a presentation on the past fiscal year and a report on MUFG's key business strategies and capital policies, the meeting entailed lively Q&A sessions, with MUFG executive officers and Group CEO providing answers to questions from 11 shareholders. The meeting provided an excellent opportunity to interact with shareholders and enhance mutual understanding.

### Large meetings for individual investors

Held on nine occasions in fiscal 2017; approximately 1,360 attendees

### Large meetings for institutional investors

Held on 15 occasions in fiscal 2017

### One on one meetings with institutional investors

Held on 592 occasions in fiscal 2017 (Of those, 403 meetings with overseas investors)



The 13th Annual General Meeting of Shareholders (Nippon Budokan)



Large meeting for individual investors (Tokyo)

## Dialogue with Employees

MUFG holds town hall meetings and round-table conferences aimed at enhancing mutual understanding between top management and employees and ensuring that MUFG's visions and policies are shared by all.

Furthermore, MUFG's executives often visit branches and interact with the frontline employees who directly engage with customers, exchanging insights about how to enhance MUFG's onsite capabilities. This interaction is an example of their efforts to create a better workplace in which employees' opinions are reflected in business operations and every employee finds their job rewarding.



MUFG Union Bank



Mitsubishi UFJ Trust and Banking Corporation



MUFG Bank

# Risk Management

## Basic Policy

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

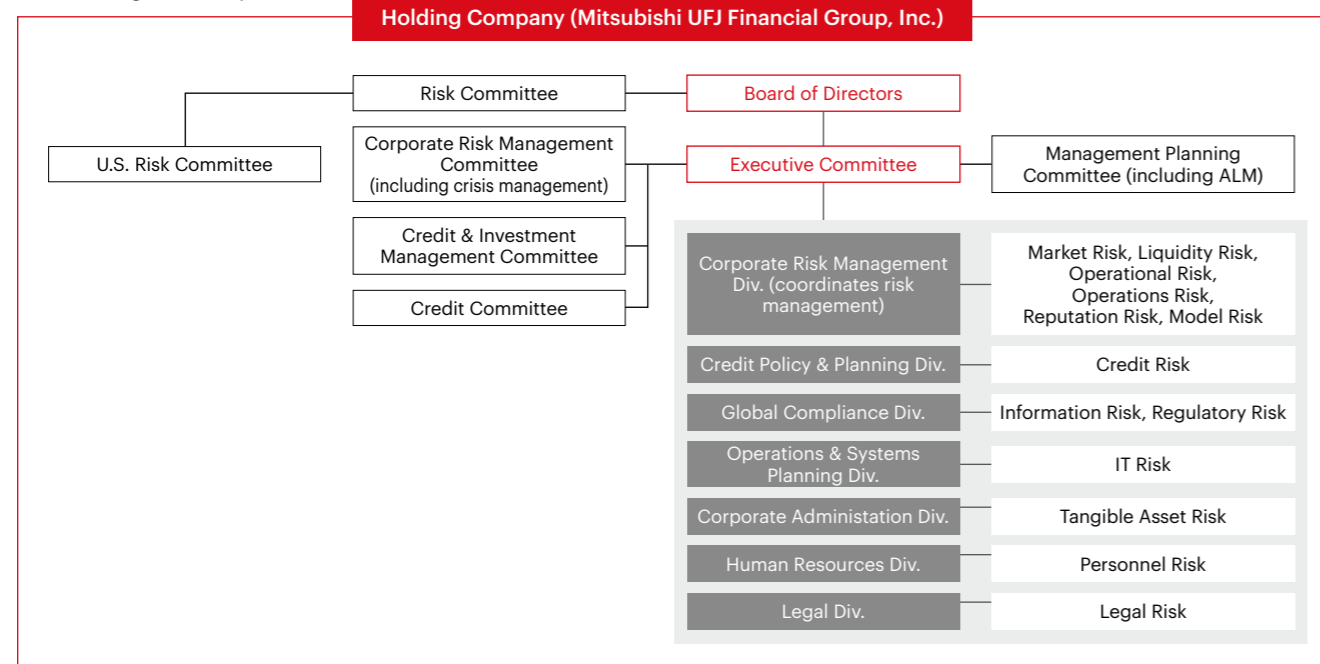
MUFG aims to strengthen its Group risk management through the diffusion of a risk culture that strengthens the structure of Group business management as well as integrated risk management. Our goal is effective risk governance that is consistent across regions, subsidiaries and the holding company.

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

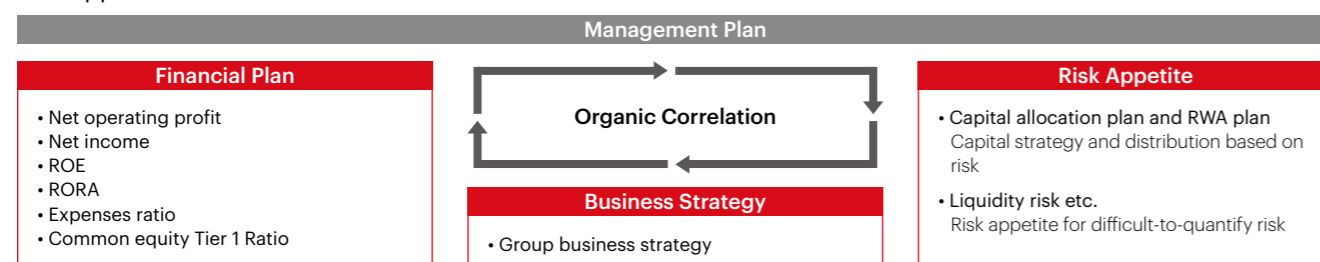
## Risk Appetite Framework

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

### Risk Management System



### Risk Appetite Framework



## Risk Appetite Framework Management Process

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

The process of setting and managing risk appetite is

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

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

### Risk Appetite Setting and Management Process



## Risk Committee

To upgrade its corporate governance and risk management structures through the incorporation of external perspectives, in 2013 MUFG established the Risk Committee, a non-mandatory governance-related committee operating directly under the Board of Directors. The committee consists of independent outside directors and external specialist members, discusses a broad range of risk management issues relevant to MUFG's operations and provides advice and

reports to the Board of Directors.

At committee meetings, those other than committee members are often invited to attend and engage in active discussion. For example, staff at overseas business units in charge of risk management report on issues relevant to ongoing themes being discussed at the committee, while outside directors who are not committee members join and contribute their insights.



### Enterprise Risk Management

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

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

### Capital Allocation System

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

### Stress Tests

#### • Stress tests for capital adequacy assessment

In formulating its business strategy, MUFG regularly assesses its internal capital adequacy through stress tests based on two perspectives: regulatory capital, based on capital adequacy regulations (Basel III), and

its own economic capital, based on internal risk assessment.

Stress tests analyze both the internal and external environment, and use three-year-period preventative scenarios.

#### • Liquidity stress test

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

### Top Risk Management

The potential losses that emerge from scenario analysis are classified as risks and then their relative importance is weighed according to degree of impact and probability. The risks that need to be watched most closely over the next year are classified as Top Risks and a risk map is created, thereby ensuring a forward-looking approach to risk management.

At MUFG and its core subsidiaries, management is regularly engaged in discussions aimed at addressing Top Risks to ensure that the understanding of these risks is shared throughout their organizations. By doing so, management is implementing effective countermeasures against Top Risks. (Major Top Risks identified by MUFG are as listed below.)

### Major Top Risks

Risk incidents*1	Risk scenarios
A decline in profitability (including a decline in profitability of net interest income)	<ul style="list-style-type: none"> <li>Decline in profitability of net interest income due to negative interest rate policy.</li> <li>Decline in overall profitability due to constraints on balance sheet size caused by regulatory factors.</li> </ul>
Foreign currency liquidity risk	<ul style="list-style-type: none"> <li>Depletion of foreign currency liquidity or significant increase in its cost due to deterioration of market conditions.</li> </ul>
An increase in credit costs	<ul style="list-style-type: none"> <li>Rises in credit costs in specific sectors and regions with potential credit concentration risk due to the slowdown of real economies around the world due to the U.S. and European central banks' exit strategies from monetary easing and the heightening tensions in the Korean peninsula, Middle East and other regions with geopolitical risk.</li> </ul>
IT risk	<ul style="list-style-type: none"> <li>Customer information leakage and reputational damage due to cyberattacks.</li> <li>Payment of compensation costs and reputational damage due to system failure.</li> </ul>
Risk associated with money laundering and economic sanctions	<ul style="list-style-type: none"> <li>Regulatory issues such as the infringement of anti-money laundering regulations or applicable regulations related to economic sanctions could lead to legal actions such as business suspension or civil fines, and reputational damage.</li> </ul>

\* Note: The aforementioned risk scenarios are examples of scenarios reported to MUFG's Board of Directors after being discussed at a Risk Committee meeting held in March 2018. These scenarios include types of incidents that are not necessarily specific to MUFG and can happen to business corporations in general.

### Enhancing the Effectiveness of Risk Management

Effective risk management and a strong Risk Appetite Framework depend on a Risk Culture that enables meaningful discussion and clear communication throughout the Group.

### Developing and Diffusing a Risk Culture

MUFG defines a Risk Culture as the basic approach that specifies how to take risks and risk management for MUFG's organizational and individual behaviors. MUFG thus formulated its Risk Culture in the Risk Appetite Statement while maintaining its consistency with Principles of Ethics and Conduct. In order to share this Risk Culture throughout the Group, management issues regular strategic messages and holds regular meetings globally.

### Risk Appetite Statement

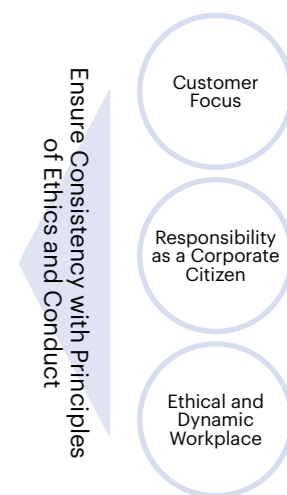
The Risk Appetite Statement elucidates the Risk Appetite Framework which embodies MUFG's attempts to achieve an integrated group strategy along with effective risk management. The Risk Appetite Statement contains an overview of the Risk Appetite Framework (basic policy and management process) as well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

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

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

### MUFG's Risk Culture

Sincerity	Taking a consistently customer-centric approach, we are committed to engaging in fair and transparent corporate activities, properly handling assets customers entrust to us and protecting customers' interests from undue damage.
Quality	With the aim of retaining the lasting trust of customers, we practice thoroughgoing quality management and improvement measures across all aspects of our business processes, from planning and development to the provision of products and services. Through these efforts, we satisfy diverse customer needs and deliver high quality services that exceed expectations.
Responsibility	All staff members must be aware of their responsibilities with regard to risk management and swiftly report to and consult with their supervisors whenever an issue is identified. In addition to complying with all laws, regulations and rules enforced in Japan and countries abroad, we choose always to take the higher moral ground, thereby contributing to the maintenance of stable and trustworthy financial systems and the sound development of society
Respect	Every MUFG Group employee remains a committed professional with a strong sense of personal responsibility and the deepest respect for their colleagues.
Sensitivity and flexibility	We remain sensitive to the constantly evolving management environment and ever diversifying needs and swiftly take action to address changes in these factors.



### Cyber Security

Given the increasingly sophisticated nature of cyberattacks, MUFG has positioned cyber security as one of its Top Risks and, under the leadership of top management, has put in place countermeasures against cyber threats.

Whenever a cyberattack is identified and deemed to affect MUFG's business operations, MUFG immediately implements measures to contain the impact of the incident, with specialist staff at MUFG-CERT spearheading these efforts. Furthermore, in the course of product release, MUFG deploys cyber security measures specifically designed for new products to ensure that customers can always rest assured about the safety of our services.

Specifically, MUFG has instated MUFG-CERT, a dedicated team in charge of cyber security that is charged with constantly upgrading MUFG's multilayered protection and detection measures, reinforcing the monitoring structure and facilitating collaboration with external specialist organizations in Japan and overseas.

In addition, MUFG announced a Cyber Security Management Declaration in June 2018, publicly disclosing initiatives associated with cyber security.



# Compliance

## Basic Policy

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

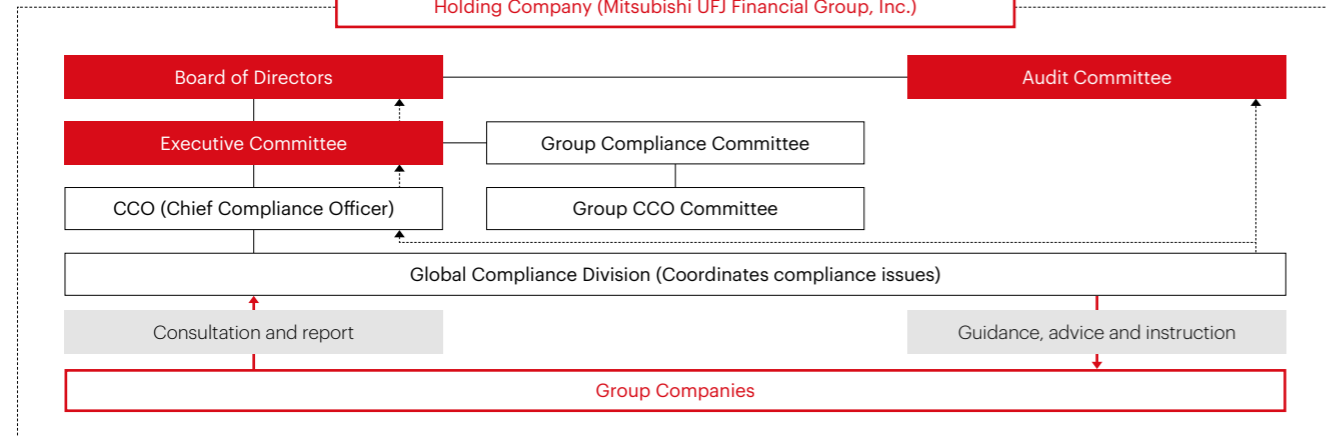
In addition, as we expand our business globally, we are committed to keeping abreast with developments in the laws and regulations of the jurisdictions in which we operate, including those targeting money laundering and bribery, as well as competition laws, while paying attention to trends in financial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

## Compliance System

Compliance management divisions have been established at the holding company Mitsubishi UFJ Financial Group, and at MUFG Bank, Mitsubishi UFJ Trust and Banking, and Mitsubishi UFJ Securities Holdings (referred to as the three companies below). Each compliance management division formulates compliance programs and organizes training courses to promote compliance, and regularly reports to each company's Board of Directors and Executive Committee on the status of compliance activities.

The holding company has the Group Compliance Committee while the three companies have Compliance Committees which deliberate important matters related to compliance. Additionally, the holding company has the Group Chief Compliance Officer (CCO) Committee composed of the CCO of the holding company and the CCOs of the three companies. This committee deliberates important matters related to compliance and compliance-

### Compliance System



## Initiatives to Protect Privacy Information

In line with its Corporate Vision, MUFG is highly aware of its social responsibilities to ensure the proper handling of privacy information (including customer numbers and other identifying information; hereinafter collectively referred to as privacy information). Accordingly, MUFG has formulated policies on the protection of privacy information while ensuring that all officers and employees adhere to these policies. In doing so, MUFG spares no effort to protect customers' privacy information.

Prefaced with strict compliance with laws, regulations and other standards with respect to the appropriate handling of customers' privacy information, efforts now under way at MUFG also extend to the installation of information security management measures to prevent a loss or leak of such information. Furthermore, MUFG is regularly reviewing its management structure and initiatives related to the protection of privacy information in an effort to make continuous improvement.

related issues for which the Group should share a common understanding.

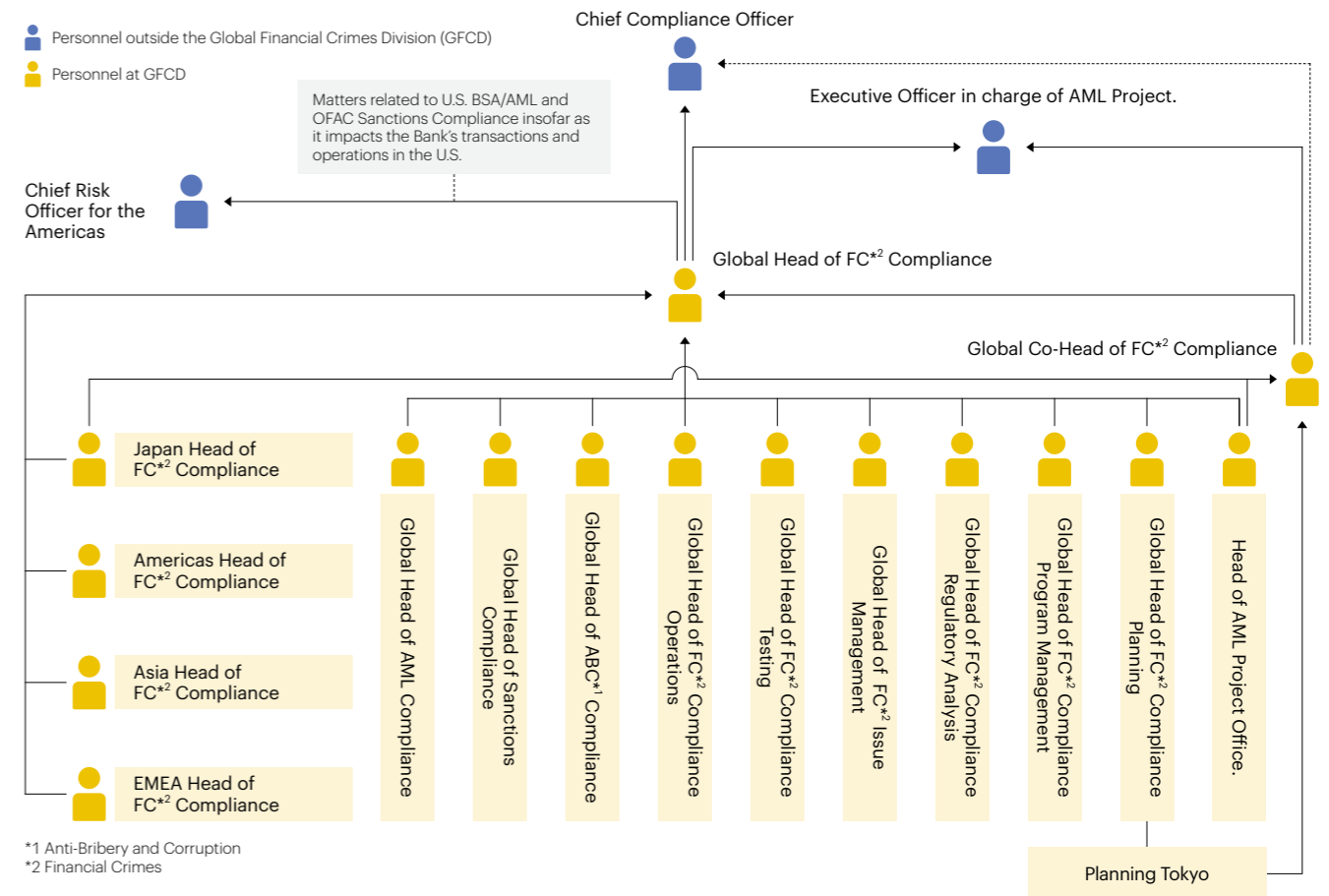
## Initiatives to Enhance Global Financial Crimes Compliance Framework

On November 30, 2017, MUFG Bank established the Global Financial Crimes Division ("GFCD"), which is in charge of Anti-Money Laundering ("AML"), Sanctions Compliance, and Anti-Bribery and Corruption (collectively, "Global Financial Crimes Compliance"). GFCD is headquartered in New York, where the excellence for Global Financial Crimes Compliance is centralized. The aim is to enhance the Bank's global program to prevent and detect Global Financial Crimes, against the backdrop of the heightened regulatory expectations in that area. At the same time, Regional Financial Crimes Offices ("RFCOs") under GFCD, which are responsible for the implementation of Financial Crimes Compliance in the region, were established in the Americas, Japan,

EMEA and Asia, respectively.

GFCD established policies which define the governance and oversight structure for the management of the Financial Crimes compliance framework across the Bank and provide the foundation for the implementation of the Bank's Financial Crimes compliance program in a manner that is commensurate with the strategies, business activities and risk profiles of each MUFG Bank office. Additionally, GFCD established Global Standards that define more detailed requirements.

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



\*1 Anti-Bribery and Corruption  
\*2 Financial Crimes

## Internal Audit

### Role of Internal Audit

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

### Group Internal Audit Framework

The holding company has instituted MUFG's internal audit policy to define the policy, function, and organizational position of internal audits. Separate internal audit divisions have been created within the holding company and certain subsidiaries. Through close cooperation and collaboration among the internal audit divisions of the holding company and these subsidiaries, these internal audit divisions provide coverage for the Group and also support the board of directors of the holding company in monitoring and overseeing all MUFG operations. In addition to having primary responsibility for initiating and preparing plans and proposals related to internal audits of the Group, the internal audit division at the holding company monitors and, as necessary, guides, advises, and administers the internal audit divisions of subsidiaries and affiliated companies.

The internal audit divisions within the major subsidiaries conduct audits of the respective head

office and branch operations of these companies. In addition, each of these internal audit divisions undertakes direct audits of their respective subsidiaries, and monitors and oversees the separate internal audit functions established within them. This helps to evaluate and verify the adequacy and effectiveness of internal controls within MUFG on a consolidated basis.

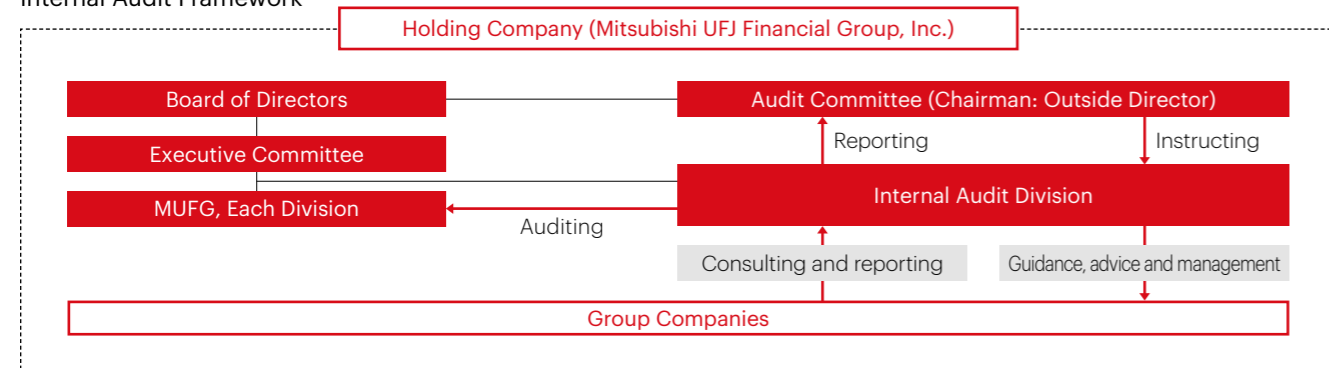
### Implementing Effective and Efficient Internal Audit

To ensure that internal audit processes use available resources with optimal effectiveness and efficiency, the internal audit divisions implement risk-focused internal audits in which the nature and magnitude of the associated risks are considered in determining audit priorities and the frequency and depth of internal audit activities. The internal audit divisions ensure that audit personnel attend key meetings, collect important internal control documents and access databases to facilitate efficient off-site monitoring.

### Reports to the Audit Committee

The holding company has an audit committee within its board of directors as required by the Companies Act of Japan, and each of the major subsidiaries in which MUFG directly holds equity interests has an Audit & Supervisory Committee or a voluntarily established audit committee. Within the holding company and each of the major subsidiaries, the internal audit division reports to the committee on important matters including the results of the internal audits and basic policies for planning internal audits.

#### Internal Audit Framework



## Responding to Global Financial Regulation

Since the global financial crisis of 2008, financial institutions have been required to hold higher standards of financial soundness and management discipline, with a number of new regulations having been developed and implemented. In this section, we explain our response to these regulations and challenges that we will face in the future.

### MUFG's Response

#### The Status of Our Compliance with Prudential Regulations

As of March 31, 2018, the following Basel III requirements are applied. MUFG has already been compliant with the required level for each item on March 31, 2019.

	Results March 31, 2018	Required level*1 March 31, 2018	Required level*1 March 31, 2019
Common Equity Tier 1 Capital Ratio	12.58%	7.51%	8.52%
Tier 1 Capital Ratio	14.32%	9.01%	10.02%
Total Capital Ratio	16.56%	11.01%	12.02%
Liquidity Coverage Ratio	137.9%	80.0%	100.0%
	Results March 31, 2018	Required level*2 March 31, 2019 (Forecast)	
Leverage Ratio	5.01%	3.0%	

\*1 Figures calculated by taking into account G-SIB buffer of 1.5% and counter cyclical capital buffer of 0.02%  
\*2 Required level for G-SIBs is expected to be raised after 2022

#### Upcoming Regulations MUFG Must Comply with in the Future

##### Requirement to secure Total Loss Absorbing Capacity (TLAC)

In addition to Basel III capital requirements, the upcoming regulations, which will be enforced in 2019, will oblige G-SIBs,\*3 including MUFG, to acquire additional capital and liabilities that meet certain subordinated conditions (TLAC-eligible liabilities). These regulations are intended to ensure orderly resolution without injecting public funds when G-SIBs fail.

\*3 G-SIBs refer to Global Systemically Important Banks, institutions whose failure would have a major impact on the global financial system according to the Financial Stability Board (FSB). G-SIBs are asked to meet stricter requirements than those applied to other banks. For example, Basel III stipulates a surcharge on the required capital ratio of G-SIBs.

	From 2019 onward	From 2022 onward
Required level of TLAC (RWA)	16%	18%
Required level of TLAC (leverage ratio denominator)	6%	6.75%

· The Implementation of Revised Basel III standards  
The Basel Committee on Banking Supervision agreed on revised Basel III standards in December 2017. With the aim of improving the comparability of banks' capital ratios, these revisions encompass a review of various risk-weighted asset measurement methods and capital floor requirements as well as upward revisions in the required leverage ratio applied to G-SIBs. A series of these revised standards will be phased in from 2022.

##### 1. Review of risk-weighted asset measurement methodologies

$$\text{Capital ratio} = \frac{\text{capital}}{\text{risk-weighted assets}}$$

- Review of various risk-weighted asset measurement methodologies
- Review of capital floor

##### 2. Review of regulatory framework for leverage ratio

$$\text{Leverage ratio} = \frac{\text{capital}}{\text{exposure (total assets on the balance sheet and off-balance sheet assets)}}$$

- Review of measurement methodologies for denominator (exposure)
- Surcharge on the required leverage ratio of G-SIBs

### Outlook

Global financial regulations had been focused on developing new regulations. The focus is now shifting to implementing and monitoring the effectiveness of regulations. In fact, the FSB and other international organizations have begun undertaking assessments of the impact of regulations which have been implemented. If these assessments reveal unintended negative consequences, there will be a need for calibrating the regulations in question.

Moreover, although the tightened regulations are expected to help enhance banks' financial soundness, the global economy may be hit by a major crisis caused by unexpected factors. We must also be vigilant against newly emerging risks arising from technological advancements.

With this in mind, MUFG will strive to realize an optimal global financial regulatory framework so that we will contribute to global economic growth, which is fundamental role of financial institutions.

## Ten-Year Summary of Major Financial Data

	(Billions of Yen)				
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Currency exchange rate (USD/JPY) (yen)	98.23	93.04	83.15	82.19	94.05
<b>Statement of income data:</b>					
Gross profits before credit costs for trust accounts	3,272.9	3,600.4	3,522.5	3,502.0	3,634.2
Net interest income	1,975.9	2,177.1	2,020.0	1,840.5	1,816.8
Trust fees excluding credit costs	119.4	103.8	100.4	96.9	95.1
Net fees and commissions	970.0	989.8	979.4	964.2	1,042.2
Net trading profits	253.0	259.7	103.7	225.5	288.2
Net other business profits	(45.6)	69.7	318.9	374.7	391.7
Net gains (losses) on debt securities	80.9	49.8	221.3	270.3	336.7
General and administrative expenses	2,083.7	2,084.8	2,020.8	1,994.5	2,095.0
Expenses ratio	63.6%	57.9%	57.3%	56.9%	57.6%
Net operating profits before credit costs for trust accounts and provision for general allowance for credit losses	1,189.1	1,515.5	1,501.6	1,507.4	1,539.2
Total credit costs	608.4	825.2	354.1	193.4	115.6
the Bank and the Trust Bank combined	390.1	404.4	174.2	134.5	65.3
Net gains (losses) on equity securities	(408.7)	32.4	(57.1)	(88.6)	(53.6)
Gains (losses) on sales of equity securities	70.8	93.0	13.7	(9.4)	33.6
Losses on write-down of equity securities	(479.5)	(60.5)	(70.9)	(79.2)	(87.3)
Profits (losses) from investments in affiliates	(0.0)	2.6	11.3	377.5	52.0
Other non-recurring gains (losses)	(89.0)	(179.7)	(385.1)	(130.8)	(77.7)
Ordinary profits	82.8	545.6	646.4	1,471.9	1,344.1
Net extraordinary gains (losses)	32.2	51.0	(6.8)	(23.8)	9.6
Total taxes	301.9	150.9	175.4	376.4	395.7
Tax burden ratio	262.4%	25.3%	27.4%	26.0%	29.2%
Profits attributable to non-controlling interests	70.0	57.0	(119.0)	90.2	105.3
Profits attributable to owners of parent	(256.9)	388.7	583.0	981.3	852.6

### Balance sheet data:

Total assets	198,733.9	204,106.9	206,227.0	218,861.6	234,498.7
Loans and bills discounted	92,056.8	84,880.6	79,995.0	84,492.6	91,299.5
Securities	48,314.1	63,964.4	71,023.6	78,264.7	79,526.8
Total liabilities	190,163.2	192,807.4	195,412.6	207,185.8	220,979.0
Deposits	120,149.5	123,891.9	124,144.3	124,789.2	131,697.0
Negotiable certificates of deposit	7,570.5	11,019.5	10,961.0	12,980.6	14,855.0
Total net assets	8,570.6	11,299.4	10,814.4	11,675.7	13,519.6
Total shareholders' equity	7,680.6	8,958.7	9,104.9	9,909.5	10,578.3
Retained earnings	4,168.6	4,405.5	4,799.6	5,602.3	6,267.9
Total accumulated other comprehensive income	(877.0)	347.0	(156.0)	83.4	1,158.2
Non-controlling interests	1,762.3	1,987.2	1,858.2	1,674.8	1,774.1

### Financial Ratios

Common Equity Tier 1 capital ratio*1	—	—	—	—	11.60%
Tier 1 capital ratio*1*2	7.76%	10.63%	11.33%	12.15%	12.63%
Total capital ratio*1	11.77%	14.87%	14.89%	14.72%	16.53%
Dividends per share (DPS) (yen)	12.0	12.0	12.0	12.0	13.0
Dividend payout ratio	—	40.6%	30.0%	17.6%	22.0%
Book-value per share (BPS) (yen)	528.67	612.05	604.58	678.25	800.95
Earnings per share (EPS) (yen)	(25.04)	29.57	39.95	68.09	58.99
ROE MUFG definition	(3.97%)	4.92%	6.89%	11.10%	8.77%
ROE TSE definition	(3.95%)	4.91%	6.55%	10.60%	7.96%
Total number of ordinary shares (excluding own shares) (billion shares)	11.639	14.138	14.141	14.144	14.155
Share price (fiscal year-end) (yen)	476	490	384	412	558
Market capitalization*3 (trillions of yen)	5.5	6.9	5.4	5.8	7.8
PBR*3 (times)	0.90	0.80	0.63	0.60	0.69
PER*3 (times)	(19.0)	16.5	9.6	6.0	9.4

\*1 The risk-adjusted capital ratios and the amounts of components thereof prior to FY 2014 reflect corrections of errors discovered in the risk weighting applied to certain assets, mostly residential mortgage loans, and certain other adjustments made under Basel I standards to obtain amounts that were used for floor adjustments in determining the amounts of risk-weighted assets under Basel III standards.

\*2 FY 2008 to FY 2011 are under Basel II standards

\*3 Figures based on fiscal year-end share price

	(Billions of Yen)				
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Currency exchange rate (USD/JPY) (yen)	102.92	120.17	112.68	112.19	106.24
<b>Statement of income data:</b>					
Gross profits before credit costs for trust accounts	3,753.4	4,229.0	4,143.2	4,011.8	3,854.2
Net interest income	1,878.6	2,181.6	2,113.5	2,024.4	1,906.8
Trust fees excluding credit costs	108.4	111.4	117.0	122.0	122.5
Net fees and commissions	1,160.3	1,308.6	1,320.5	1,328.4	1,327.1
Net trading profits	362.0	352.9	306.3	290.0	292.4
Net other business profits	244.0	274.3	285.6	246.7	205.1
Net gains (losses) on debt securities	142.8	115.1	132.9	56.8	6.7
General and administrative expenses	2,289.3	2,584.1	2,585.2	2,593.5	2,621.4
Expenses ratio	60.9%	61.1%	62.3%	64.6%	68.0%
Net operating profits before credit costs for trust accounts and provision for general allowance for credit losses	1,464.1	1,644.9	1,557.9	1,418.2	1,232.8
Total credit costs	(11.8)	161.6	255.1	155.3	46.1
the Bank and the Trust Bank combined	(35.1)	71.1	103.7	47.9	(79.5)
Net gains (losses) on equity securities	144.5	93.1	88.3	124.9	133.1
Gains (losses) on sales of equity securities	157.5	97.9	113.6	127.4	140.1
Losses on write-down of equity securities	(12.9)	(4.8)	(25.3)	(2.5)	(7.0)
Profits (losses) from investments in affiliates	112.4	159.6	230.4	244.4	242.8
Other non-recurring gains (losses)	(38.2)	(23.0)	(82.0)	(271.4)	(100.3)
Ordinary profits	1,694.8	1,713.0	1,539.4	1,360.7	1,462.4
Net extraordinary gains (losses)	(151.7)	(98.2)	(40.7)	(57.5)	(53.0)
Total taxes	439.9	467.7	460.2	342.1	313.4
Tax burden ratio	28.5%	28.9%	30.7%	26.2%	22.2%
Profits attributable to non-controlling interests	118.1	113.2	87.1	34.6	106.2
Profits attributable to owners of parent	984.8	1,033.7	951.4	926.4	989.6

### Balance sheet data:

Total assets	258,131.9	286,149.7	298,302.8	303,297.4	306,937.4
Loans and bills discounted	101,938.9	109,368.3	113,756.3	109,005.2	108,090.9
Securities	74,515.5	73,538.1	69,993.8	59,438.8	59,266.1
Total liabilities	243,019.0	268,862.2	280,916.1	286,639.0	289,642.3
Deposits	144,760.2	153,357.4	160,965.0	170,730.2	177,312.3
Negotiable certificates of deposit	15,548.1	16,073.8	11,591.5	11,341.5	9,854.7
Total net assets	15,112.8	17,287.5	17,386.7	16,658.3	17,295.0
Total shareholders' equity	11,346.2	11,328.6	11,855.8	12,318.8	12,880.8
Retained earnings	7,033.1	7,860.4	8,587.5	9,278.5	10,064.6
Total accumulated other comprehensive income	1,709.7	3,989.2	3,602.1	2,961.3	3,143.8
Non-controlling interests	2,048.1	1,961.3	1,920.5	1,377.7	1,270.1

### Financial Ratios

Common Equity Tier 1 capital ratio*1	11.18%	11.09%	11.63%	11.76%	12.58%
Tier 1 capital ratio*1*2	12.37%	12.58%	13.24%	13.36%	14.32%
Total capital ratio*1	15.43%	15.62%	16.01%	15.85%	16.56%
Dividends per share (DPS) (yen)	16.0	18.0	18.0	18.0	19.0
Dividend payout ratio	23.4%	24.6%	26.3%	26.4%	25.5%
Book-value per share (BPS) (yen)	893.77	1,092.75	1,121.07	1,137.78	1,217.41
Earnings per share (EPS) (yen)	68.29	73.22	68.51	68.28	74.55
ROE MUFG definition	9.05%	8.74%	7.63%	7.25%	7.53%
ROE TSE definition	8.05%	7.38%	6.18%	6.02%	6.32%
Total number of ordinary shares (excluding own shares) (billion shares)	14.161	14.017	13.788	13.429	13.162
Share price (fiscal year-end) (yen)	567	743.7	521.5	699.7	697.0
Market capitalization*3 (trillions of yen)	8.0	10.4	7.1	9.3	9.1
PBR*3 (times)	0.63	0.68	0.46	0.61	0.57
PER*3 (times)	8.3	10.1	7.6	10.2	9.3



# Financial Review for Fiscal 2017

## Consolidated Earnings Summary

### Consolidated Net Operating Profits

Consolidated gross profits for the fiscal year ended March 31, 2018 decreased ¥157.5 billion from the previous fiscal year to ¥3,854.2 billion. Net interest income decreased mainly due to a decrease in net interest income from domestic loans and deposits as well as from bond portfolios, and net gains on debt securities decreased, while net interest income from overseas loans and deposits remained steadily.

General and administrative expenses increased ¥27.8 billion from the previous fiscal year to ¥2,621.4 billion. While expenses associated with domestic operations fell, thanks to cost control efforts and other factors, these were offset by higher expenses for overseas operations due to matters related to complying with financial regulations.

As a result, consolidated net operating profits decreased ¥185.4 billion from the previous fiscal year to ¥1,232.8 billion.

### Credit Costs

Total credit costs decreased ¥109.2 billion from the previous fiscal year to a net provision of ¥46.1 billion thanks to the absence of costs associated with the deterioration of credit quality of some large borrowers in the previous fiscal year and a decrease in credit costs for resource- and energy-related clients in the Americas.

### Net Gains (Losses) on Equity Securities

Net gains on equity securities increased ¥8.2 billion to ¥133.1 billion. This was mainly attributable to progress in the sales of equity holdings.

### Ordinary Profits

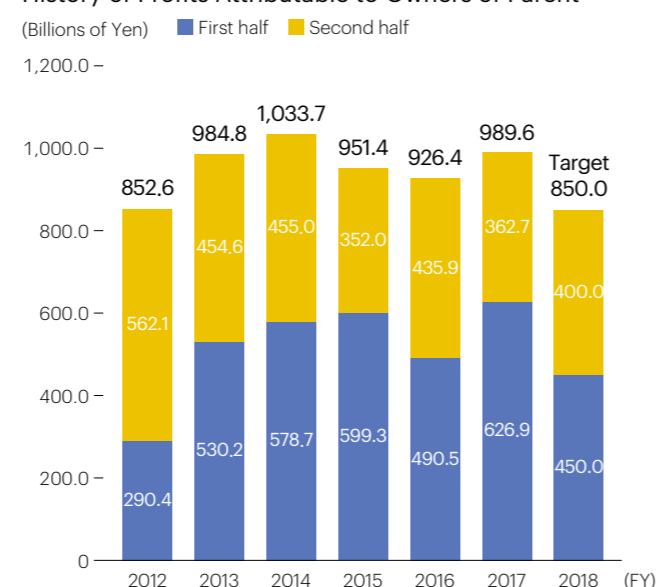
Ordinary profits increased ¥101.6 billion to ¥1,462.4 billion. Despite the posting of temporary expenses in connection with structural reforms, other non-recurring losses decreased ¥171.1 billion from the previous fiscal year mainly due to an elimination of provision of allowance for excess interest repayment of consumer finance subsidiaries that occurred in the previous fiscal year.

### Profits Attributable to Owners of Parent

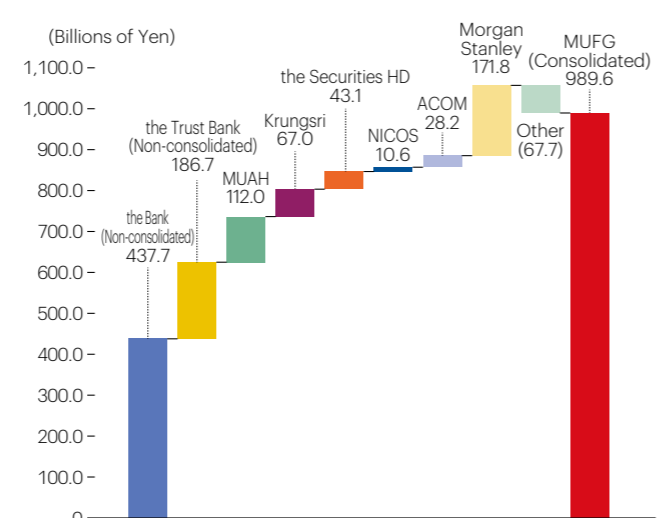
Net extraordinary losses decreased ¥4.4 billion from the previous fiscal year. This was due to a decrease in net losses on change in equity related to Morgan Stanley and the posting of gains on an exchange of shares associated with the merger of Aberdeen and Standard Life, despite the recording of impairment loss associated with structural reforms. Tax expenses decreased ¥28.7 billion.

As a result, profits attributable to owners of parent increased ¥63.2 billion to ¥989.6 billion, exceeding the target of ¥950.0 billion.

### History of Profits Attributable to Owners of Parent



### Breakdown of Profits Attributable to Owners of Parent\*



\* The above figures reflect the percentage holding in each subsidiaries and equity method investees (after-tax basis)

### Net Operating Profits by Business Segment

Consolidated net operating profits\* decreased ¥171.7 billion from the previous fiscal year to ¥1,224.1 billion. This was due to decreases in Japanese Corporate Banking Business Group, Global Banking Business Group and Global Markets Business Group, partially offset by increases in Retail Banking Business Group and Asset Management / Investor Services Business Group.

\* On a managerial accounting basis (the Japanese Corporate Banking Business Group excludes overseas Japanese corporate business)

### Retail Banking Business Group

In the Retail Banking Business Group, net operating profits increased ¥40.4 billion to ¥266.1 billion. This was attributable to the stronger showings of card settlement and consumer finance businesses and growth in investment product sales and other securities businesses as well as the success of efforts to curb expenses.

### Japanese Corporate Banking Business Group

In the Japanese Corporate Banking Business Group, net operating profits decreased ¥28.7 billion to ¥392.8 billion. This was attributable to decreases in revenues from loans, derivatives and primary securities transactions in addition to a decline in investment banking revenues due to the absence of large-scale transactions recorded in the previous fiscal year.

### Global Banking Business Group

In the Global Banking Business Group, net operating profits decreased ¥59.9 billion to ¥422.3 billion. In addition to the impact of an increase in foreign currency funding costs, net operating profits were negatively affected by a number of factors in regions around the globe. Our Americas businesses targeting non-Japanese corporations were sluggish due mainly to the slowdown of growth in the M&A market, while our European operations faced rises in expenses due to a need for regulatory compliance and project preparation expenses. These negative factors were well in excess of the growth in net operating profits recorded by Krungsri thanks to the strong showings of its auto loans.

### Asset Management / Investor Services Business Group

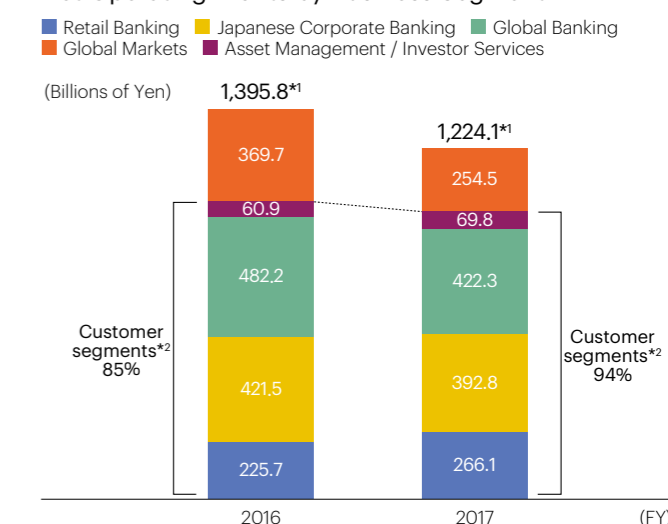
In the Asset Management / Investor Services Business Group, net operating profits increased ¥8.9 billion to ¥69.8 billion. This was mainly attributable to

growth in revenues due to a rise in stock prices as well as increases in pension, investment trust and other assets under our management thanks to our efforts to capture new assets under management. Temporary gains recorded at affiliates also contributed to growth in net operating profits.

### Global Markets Business Group

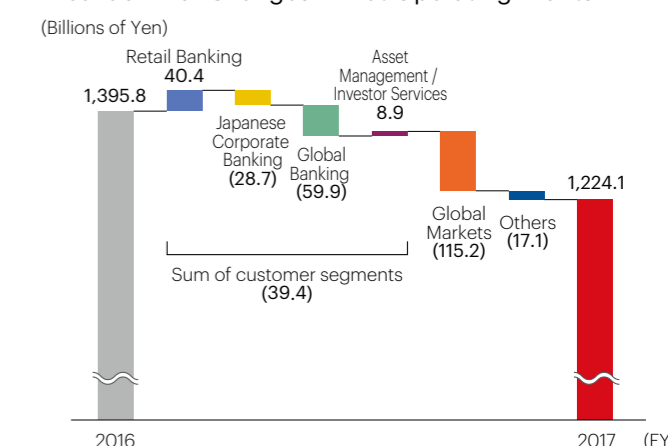
In the Global Markets Business Group, net operating profits decreased ¥115.2 billion to ¥254.5 billion. This was mainly attributable to the sluggish performance of domestic S&T and flexible approach in ALM operation to improve the value of bond portfolios by seizing opportunities arising from interest rate hike.

### Net Operating Profits by Business Segment



\*1 Total net operating profits include net operating profit for "Other" segment (FY 2016: ¥164.3 bn, FY 2017: ¥181.4 bn)  
\*2 Ratio of customer segments = net operating profits from customer segments / total net operating profits (\*1). For FY2017, Global Banking segment accounted for 37% of total customer segment.

### Breakdown of Changes in Net Operating Profits



Financial Review for Fiscal 2017

### Consolidated Balance Sheet Summary

#### Loans (banking and trust accounts) / Deposits

Loans decreased ¥811.7 billion from the previous fiscal year ended March 31, 2017, to ¥108,397.7 billion. Despite growth in domestic corporate loans, this decrease was attributable to a downturn in overseas loans due to the negative effect of foreign currency exchange rates.

Deposits increased ¥6,582.0 billion from the previous fiscal year ended March 31, 2017, to ¥177,312.3 billion thanks to increases in domestic corporate deposits as well as deposits in overseas branches and other MUFG subsidiaries.

#### Domestic Deposit / Lending Rates

Differences in yield between the lending and the deposit rate in Japan, excluding loans to government, decreased 0.02 percentage points from FY 2016 4Q on the back of the prolonged low interest rate environment.

#### Investment Securities

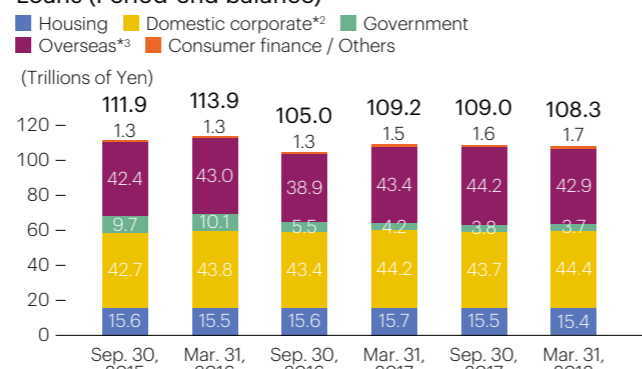
The balance of available-for-sale securities increased ¥584.1 billion compared with the balance as of March 31, 2017, reaching ¥55,397.3 billion due mainly to increases in domestic equity and other securities despite a decrease in Japanese Government Bonds (JGBs).

Net unrealized gains on available-for-sale securities increased ¥378.3 billion compared with the previous fiscal year to ¥3,517.4 billion due to an increase in net unrealized gains on domestic equity securities despite decreases in net unrealized gains on JGBs and foreign bonds.

#### Available-for-sale Securities with Fair Value (Billions of Yen)

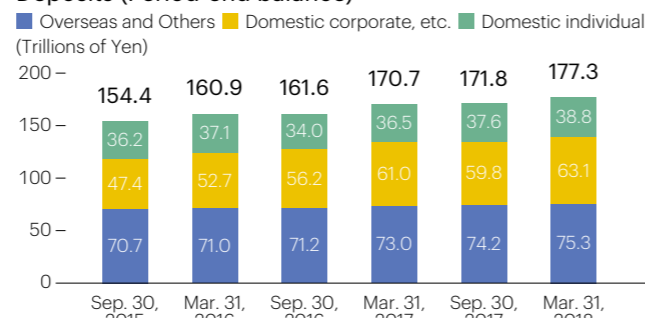
	Balance		Unrealized gains (losses)	
	Mar. 31, 2018	Change from Mar. 31, 2017	Mar. 31, 2018	Change from Mar. 31, 2017
<b>Total</b>	<b>55,397.3</b>	<b>584.1</b>	<b>3,517.4</b>	<b>378.3</b>
Domestic equity securities	5,541.0	376.3	3,220.1	585.0
Domestic bonds	26,980.6	(708.2)	305.5	(93.6)
Japanese government bonds	22,450.5	(1,560.0)	259.0	(91.9)
Others	22,875.6	916.0	(8.3)	(113.0)
Foreign Equity Securities	334.5	151.7	35.9	(13.9)
Foreign bonds	17,448.3	(468.9)	(139.0)	(130.6)
Others	5,092.7	1,233.2	94.8	31.4

#### Loans (Period-end balance)\*1

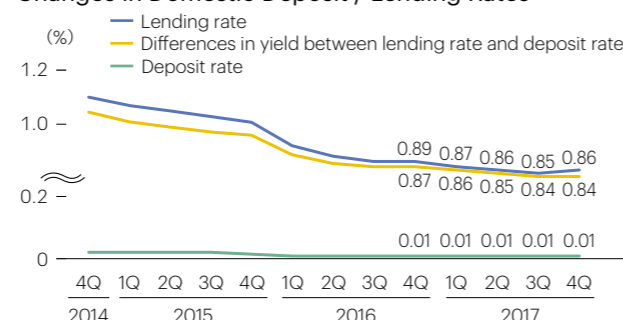


\*1 Sum of banking and trust accounts  
 \*2 Excluding loans to government and governmental institutions, and including foreign currency denominated loans  
 \*3 Loans booked in overseas branches, MUAH, Krungsri, the Bank (China), the Bank (Malaysia) and the Bank (Europe)

#### Deposits (Period-end balance)

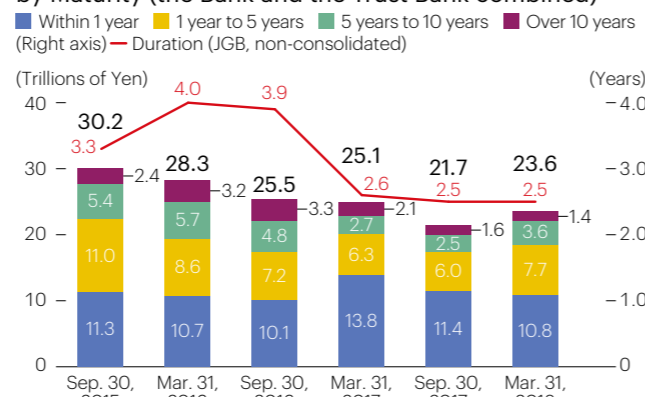


#### Changes in Domestic Deposit / Lending Rates\*



\* Excluding lending to government etc.

#### Balance of Japanese Government Bonds (JGB) Portfolio by Maturity (the Bank and the Trust Bank combined)



\* Available-for-sale securities and held-to-maturity securities (duration is for available-for-sale securities only)

### Capital

#### Total Capital

Common Equity Tier 1 capital increased by ¥871 billion and Total capital increased by ¥719 billion respectively from the end of March 2017, mainly due to increases in retained earnings and other comprehensive income.

#### Risk Weighted Assets (RWA)

RWA decreased by ¥522 billion from the previous fiscal year ended March 31, 2017, reflecting a decrease in credit-related RWA mainly due to improved ratings issued to some clients.

#### Capital Adequacy

The Common Equity Tier 1 capital ratio was 12.58%, the Tier 1 capital ratio was 14.32% and the Total capital ratio was 16.56%.

The provisional figure for the Common Equity Tier 1 capital ratio, calculated on the basis of regulations applied at the end of March 2019, is 12.5%. The provisional figure calculated by taking into account the impact of an expected increase in RWA calculated on the finalized Basel III reforms basis, is 11.7%.

#### Shareholder Returns

MUFG paid a year-end dividend of ¥10 per share for fiscal year ended March 31, 2018, bringing the full fiscal year total to ¥19, which is up ¥1 per share from the annual dividend paid for the previous fiscal year.

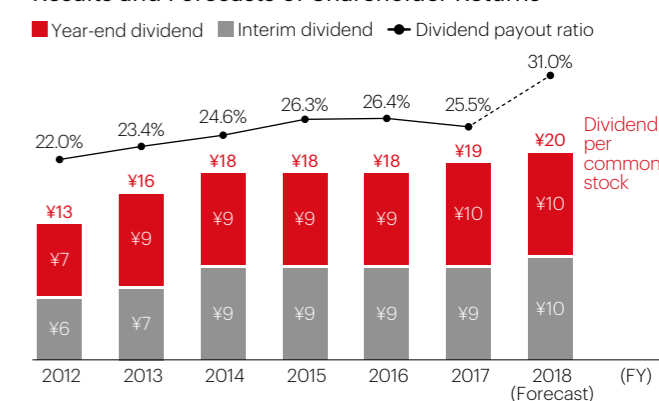
During fiscal 2017, we repurchased our own shares for approximately ¥100.0 billion in May and November 2017, respectively, thus expending a total of ¥200.0 billion for share repurchases, in line with our policy of striking an optimal balance between the maintenance of solid equity capital, strategic investments for sustainable growth and further enhancement of shareholder returns.

#### Capital Adequacy

(Billions of Yen)

	Mar. 31, 2018	Mar. 31, 2017	Change from Mar. 31, 2017
<b>Common Equity Tier 1 capital ratio</b>	<b>12.58%</b>	11.76%	0.82%
<b>Tier 1 capital ratio</b>	<b>14.32%</b>	13.36%	0.95%
<b>Total capital ratio</b>	<b>16.56%</b>	15.85%	0.70%
<b>Capital (Billions of Yen)</b>			
<b>Tier 1 capital</b>	<b>16,251</b>	15,232	1,019
Common Equity Tier 1 capital	14,284	13,413	871
Retained earnings	10,064	9,278	786
Other comprehensive income	3,143	2,369	774
Regulatory adjustments	(1,786)	(1,363)	(422)
Additional Tier 1 capital	1,966	1,818	148
Preferred securities and subordinated debt	1,822	1,650	171
Foreign currency translation adjustments	-	111	(111)
<b>Tier 2 capital</b>	<b>2,543</b>	2,843	(299)
Subordinated debt	2,165	2,132	32
Amounts equivalent to 45% of unrealized gains on available-for-sale securities	-	277	(277)
<b>Total capital (Tier 1+Tier 2)</b>	<b>18,795</b>	18,076	719
<b>Risk weighted assets (Billions of Yen)</b>			
<b>Risk weighted assets</b>	<b>113,463</b>	113,986	(522)
Credit risk	89,823	96,906	(7,083)
Market risk	2,714	2,135	578
Operational risk	7,236	6,734	501
Floor adjustment	13,689	8,209	5,480

#### Results and Forecasts of Shareholder Returns





# Consolidated Financial Statements

## Consolidated Balance Sheets

	(Millions of Yen)			(Millions of Yen)	
	Mar 31, 2018	Mar 31, 2017		Mar 31, 2018	Mar 31, 2017
<b>Assets:</b>			<b>Liabilities:</b>		
Cash and due from banks	74,713,689	63,525,940	Deposits	177,312,310	170,730,221
Call loans and bills bought	482,285	649,147	Negotiable certificates of deposit	9,854,742	11,341,571
Receivables under resale agreements	5,945,875	8,066,973	Call money and bills sold	2,461,088	1,973,569
Receivables under securities borrowing transactions	9,266,996	11,002,723	Payables under repurchase agreements	18,088,513	17,636,962
Monetary claims bought	5,529,619	4,707,868	Payables under securities lending transactions	8,156,582	5,538,739
Trading assets	15,247,156	21,046,367	Commercial papers	2,181,995	2,307,222
Money held in trust	943,153	806,881	Trading liabilities	10,898,924	17,700,617
Securities	59,266,170	59,438,897	Borrowed money	16,399,502	16,971,085
Loans and bills discounted	108,090,994	109,005,231	Foreign exchanges	2,037,524	1,970,980
Foreign exchanges	2,942,499	2,083,530	Short-term bonds payable	847,299	847,999
Other assets	12,176,023	11,554,699	Bonds payable	10,706,252	9,893,687
Tangible fixed assets	1,369,977	1,358,905	Due to trust accounts	10,382,479	9,893,881
Buildings	302,981	341,131	Other liabilities	9,270,887	9,382,992
Land	697,105	720,132	Reserve for bonuses	86,581	81,012
Lease assets	12,357	10,164	Reserve for bonuses to directors	620	598
Construction in progress	119,195	46,373	Reserve for stocks payment	11,607	10,400
Other tangible fixed assets	238,337	241,104	Net defined benefit liabilities	59,033	59,045
Intangible fixed assets	1,246,676	1,257,876	Reserve for retirement benefits to directors	1,088	1,128
Software	532,285	567,753	Reserve for loyalty award credits	17,836	16,689
Goodwill	258,417	267,389	Reserve for contingent losses	318,002	384,868
Lease assets	351	446	Reserves under special laws	4,319	4,075
Other intangible fixed assets	455,622	422,287	Deferred tax liabilities	867,919	745,073
Net defined benefit assets	874,106	601,377	Deferred tax liabilities for land revaluation	117,104	124,483
Deferred tax assets	89,172	126,231	Acceptances and guarantees	9,560,158	9,022,130
Customers' liabilities for acceptances and guarantees	9,560,158	9,022,130	Total liabilities	289,642,377	286,639,039
Allowance for credit losses	(807,139)	(957,350)	<b>Net assets:</b>		
Total assets	306,937,415	303,297,433	Capital stock	2,141,513	2,141,513
			Capital surplus	1,196,803	1,412,087
			Retained earnings	10,064,649	9,278,546
			Treasury stock	(522,158)	(513,260)
			Total shareholders' equity	12,880,807	12,318,885
			Net unrealized gains (losses) on available-for-sale securities	2,388,234	2,184,597
			Net deferred gains (losses) on hedging instruments	59,360	125,684
			Land revaluation excess	170,239	173,723
			Foreign currency translation adjustments	499,557	558,339
			Remeasurements of defined benefit plans	62,182	(65,098)
			Debt value adjustments of foreign subsidiaries and affiliates	(35,743)	(15,863)
			Total accumulated other comprehensive income	3,143,832	2,961,382
			Subscription rights to shares	274	407
			Non-controlling interests	1,270,123	1,377,719
			Total net assets	17,295,037	16,658,394
			Total liabilities and net assets	306,937,415	303,297,433

## Consolidated Financial Results

	(Millions of Yen)	
	FY 2017	FY 2016
<b>Gross profits</b>	<b>3,854,231</b>	4,011,809
Gross profits before credit costs for trust accounts	3,854,231	4,011,808
Net interest income	1,906,831	2,024,487
Trust fees	122,533	122,050
Credit costs for trust accounts	—	0
Net fees and commissions	1,327,198	1,328,490
Net trading profits	292,472	290,035
Net other operating profits	205,195	246,744
Net gains (losses) on debt securities	6,707	56,871
General and administrative expenses	2,621,431	2,593,576
Amortization of goodwill	17,603	16,737
Net operating profits before credit costs for trust accounts, provision for general allowance for credit losses and amortization of goodwill	1,250,403	1,434,969
Net operating profits before credit costs for trust accounts and provision for general allowance for credit losses	1,232,800	1,418,231
Provision for general allowance for credit losses	—	(210,257)
<b>Net operating profits*1</b>	<b>1,232,800</b>	1,207,974
Net non-recurring gains (losses)	229,618	152,793
Credit costs	(185,191)	(9,606)
Losses on loan write-offs	(161,192)	(136,423)
Provision for specific allowance for credit losses	—	181,550
Other credit costs	(23,998)	(54,733)
Reversal of allowance for credit losses	60,200	—
Reversal of reserve for contingent losses included in credit costs	—	—
Gains on loans written-off	78,880	64,487
Net gains (losses) on equity securities	133,178	124,940
Gains on sales of equity securities	174,633	171,875
Losses on sales of equity securities	(34,446)	(44,378)
Losses on write-down of equity securities	(7,008)	(2,557)
Profits (losses) from investments in affiliates	242,885	244,453
Other non-recurring gains (losses)	(100,334)	(271,481)
<b>Ordinary profits</b>	<b>1,462,418</b>	1,360,767
Net extraordinary gains (losses)	(53,041)	(57,539)
Losses on change in equity	(19,569)	(45,654)
<b>Profits before income taxes</b>	<b>1,409,377</b>	1,303,228
Income taxes-current	300,032	319,060
Income taxes-deferred	13,404	23,116
Total taxes	313,436	342,177
<b>Profits</b>	<b>1,095,940</b>	961,050
Profits attributable to non-controlling interests	106,276	34,609
Profits attributable to owners of parent	989,664	926,440

\*1 Net operating profits = Banking subsidiaries' net operating profits + Other consolidated entities' gross profits - Other consolidated entities' general and administrative expenses - Other consolidated entities' provision for general allowance for credit losses - Amortization of goodwill - Inter-company transactions

### (Reference)

	FY 2017	FY 2016
Total credit costs*2	(46,110)	(155,376)

\*2 Total credit costs = Credit costs for trust accounts + Provision for general allowance for credit losses + Credit costs (included in non-recurring gains / losses) + Reversal of allowance for credit losses + Reversal of reserve for contingent losses included in credit costs + Gains on loans written-off

## Consolidated Statements of Comprehensive Income

	(Millions of Yen)	
	FY 2017	FY 2016
<b>Profits</b>	<b>1,095,940</b>	961,050
<b>Other comprehensive income</b>		
Net unrealized gains (losses) on available-for-sale securities	208,021	(278,689)
Net deferred gains (losses) on hedging instruments	(65,001)	(212,449)
Land revaluation excess	(57)	(21)
Foreign currency translation adjustments	(22,627)	(145,331)
Remeasurements of defined benefit plans	145,534	134,560
Share of other comprehensive income of associates accounted for using equity method	(30,919)	(128,510)
Total other comprehensive income	234,950	(630,441)
<b>Comprehensive income</b>	<b>1,330,891</b>	330,609
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	1,209,604	303,054
Comprehensive income attributable to non-controlling interests	121,287	27,554

## Consolidated Financial Statements

## Consolidated Statements of Changes in Net Assets

(Millions of Yen)

FY 2017	Shareholders' equity					Accumulated other comprehensive income	
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedging instruments
Balance at the beginning of the period	2,141,513	1,412,087	9,278,546	(513,260)	12,318,885	2,184,597	125,684
Changes during the period							
Cash dividends			(241,050)		(241,050)		
Profits attributable to owners of parent			989,664		989,664		
Repurchase of treasury stock				(201,051)	(201,051)		
Disposal of treasury stock		(10)		2,098	2,088		
Retirement of treasury stock		(190,054)		190,054			
Reversal of land revaluation excess			3,426		3,426		
Changes in subsidiaries' equity		(25,218)			(25,218)		
Effects due to revision of accounting standards for foreign subsidiaries and affiliates			34,063		34,063		
Net changes of items other than shareholders' equity						203,637	(66,324)
Total changes during the period		(215,283)	786,103	(8,898)	561,921	203,637	(66,324)
Balance at the end of the period	2,141,513	1,196,803	10,064,649	(522,158)	12,880,807	2,388,234	59,360

(Millions of Yen)

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Land revaluation excess	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Debt value adjustments of foreign subsidiaries and affiliates	Total accumulated other comprehensive income			
Balance at the beginning of the period	173,723	558,339	(65,098)	(15,863)	2,961,382	407	1,377,719	16,658,394
Changes during the period								
Cash dividends								(241,050)
Profits attributable to owners of parent								989,664
Repurchase of treasury stock								(201,051)
Disposal of treasury stock								2,088
Retirement of treasury stock								
Reversal of land revaluation excess								3,426
Changes in subsidiaries' equity								(25,218)
Effects due to revision of accounting standards for foreign subsidiaries and affiliates								34,063
Net changes of items other than shareholders' equity	(3,483)	(58,781)	127,281	(19,879)	182,449	(132)	(107,595)	74,721
Total changes during the period	(3,483)	(58,781)	127,281	(19,879)	182,449	(132)	(107,595)	636,643
Balance at the end of the period	170,239	499,557	62,182	(35,743)	3,143,832	274	1,270,123	17,295,037

(Millions of Yen)

FY 2016	Shareholders' equity					Accumulated other comprehensive income	
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedging instruments
Balance at the beginning of the period	2,141,513	1,425,637	8,587,578	(298,922)	11,855,806	2,486,627	337,297
Cumulative effects due to revision of accounting standards for foreign subsidiaries and affiliates			8,464		8,464		
Restated balance	2,141,513	1,425,637	8,596,043	(298,922)	11,864,271	2,486,627	337,297
Changes during the period							
Cash dividends			(246,557)		(246,557)		
Profits attributable to owners of parent			926,440		926,440		
Repurchase of treasury stock				(217,688)	(217,688)		
Disposal of treasury stock		(936)		3,350	2,414		
Reversal of land revaluation excess			2,619		2,619		
Changes in subsidiaries' equity		(12,614)			(12,614)		
Net changes of items other than shareholders' equity						(302,029)	(211,612)
Total changes during the period		(13,550)	682,503	(214,337)	454,614	(302,029)	(211,612)
Balance at the end of the period	2,141,513	1,412,087	9,278,546	(513,260)	12,318,885	2,184,597	125,684

(Millions of Yen)

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Land revaluation excess	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Debt value adjustments of foreign subsidiaries and affiliates	Total accumulated other comprehensive income			
Balance at the beginning of the period	176,364	791,401	(189,526)		3,602,163	8,260	1,920,538	17,386,769
Cumulative effects due to revision of accounting standards for foreign subsidiaries and affiliates			(8,464)		(8,464)			
Restated balance	176,364	791,401	(189,526)	(8,464)	3,593,699	8,260	1,920,538	17,386,769
Changes during the period								
Cash dividends								(246,557)
Profits attributable to owners of parent								926,440
Repurchase of treasury stock								(217,688)
Disposal of treasury stock								2,414
Reversal of land revaluation excess								2,619
Changes in subsidiaries' equity								(12,614)
Net changes of items other than shareholders' equity	(2,641)	(233,062)	124,427	(7,399)	(632,317)	(7,853)	(542,819)	(1,182,989)
Total changes during the period	(2,641)	(233,062)	124,427	(7,399)	(632,317)	(7,853)	(542,819)	(728,375)
Balance at the end of the period	173,723	558,339	(65,098)	(15,863)	2,961,382	407	1,377,719	16,658,394

## Consolidated Statements of Cash Flows

(Millions of Yen)

	FY 2017	FY 2016
Cash flows from operating activities:		
Profits before income taxes	1,409,377	1,303,228
Depreciation and amortization	321,207	316,411
Impairment losses	76,122	10,162
Amortization of goodwill	17,603	16,737
Equity in losses (gains) of equity method investees	(242,885)	(244,453)
Increase (decrease) in allowance for credit losses	(155,657)	(92,783)
Increase (decrease) in reserve for bonuses	4,759	(285)
Increase (decrease) in reserve for bonuses to directors	21	202
Increase (decrease) in reserve for stocks payment	1,206	10,400
Decrease (increase) in net defined benefit assets	(123,708)	(92,720)
Increase (decrease) in net defined benefit liabilities	(260)	1,652
Increase (decrease) in reserve for retirement benefits to directors	(40)	14
Increase (decrease) in reserve for loyalty award credits	600	959
Increase (decrease) in reserve for contingent losses	(66,513)	175,716
Interest income recognized on statement of income	(3,094,990)	(2,888,134)
Interest expenses recognized on statement of income	1,188,223	863,677
Losses (gains) on securities	(188,581)	(181,811)
Losses (gains) on money held in trust	450	8,771
Foreign exchange losses (gains)	326,825	459,763
Losses (gains) on sales of fixed assets	5,800	(8,200)
Net decrease (increase) in trading assets	6,172,302	(1,737,675)
Net increase (decrease) in trading liabilities	(7,200,920)	1,448,201
Net decrease (increase) in unsettled trading accounts	(60,914)	(50,814)
Net decrease (increase) in loans and bills discounted	962,022	4,065,265
Net increase (decrease) in deposits	6,551,091	10,427,476
Net increase (decrease) in negotiable certificates of deposit	(1,483,766)	(242,013)
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	(429,679)	4,551,643
Net decrease (increase) in due from banks (excluding cash equivalents)	(5,220,840)	802,579
Net decrease (increase) in call loans and bills bought and others	2,362,074	(1,413,158)
Net decrease (increase) in receivables under securities borrowing transactions	1,786,118	(5,203,785)
Net increase (decrease) in call money and bills sold and others	631,521	(3,999,428)
Net increase (decrease) in commercial papers	(128,226)	33,847
Net increase (decrease) in payables under securities lending transactions	2,612,538	850,842
Net decrease (increase) in foreign exchanges (assets)	(844,857)	(302,389)
Net increase (decrease) in foreign exchanges (liabilities)	64,974	(81,641)
Net increase (decrease) in short-term bonds payable	(699)	95,507
Net increase (decrease) in issuance and redemption of unsecured bonds payable	188,578	422,720
Net increase (decrease) in due to trust accounts	488,598	(3,402,151)
Interest income (cash basis)	3,181,494	3,023,722
Interest expenses (cash basis)	(1,170,125)	(847,418)
Others	(809,354)	(684,097)
Sub-total	7,131,489	7,416,541
Income taxes	(250,661)	(427,841)
Refund of income taxes	32,370	24,364
Net cash provided by (used in) operating activities	6,913,197	7,013,064

(Millions of Yen)

	FY 2017	FY 2016
Cash flows from investing activities:		
Purchases of securities	(73,029,164)	(56,618,395)
Proceeds from sales of securities	33,503,855	39,602,665
Proceeds from redemption of securities	39,502,328	26,428,256
Payments for increase in money held in trust	(540,772)	(763,127)
Proceeds from decrease in money held in trust	401,831	615,931
Purchases of tangible fixed assets	(159,814)	(121,733)
Purchases of intangible fixed assets	(247,378)	(249,744)
Proceeds from sales of tangible fixed assets	11,790	31,815
Proceeds from sales of intangible fixed assets	700	2,890
Payments for transfer of business	(7,060)	—
Payments for acquisition of subsidiaries' equity affecting the scope of consolidation	(20)	(21,954)
Proceeds from sales of subsidiaries' equity affecting the scope of consolidation	—	2,761
Others	(2,172)	(1,815)
Net cash provided by (used in) investing activities	(565,875)	8,907,549
Cash flows from financing activities:		
Proceeds from subordinated borrowings	39,500	31,000
Repayments of subordinated borrowings redemption	(245,328)	(50,592)
Proceeds from issuance of subordinated bonds payable and bonds with warrants	863,460	837,401
Payments for redemption of subordinated bonds payable and bonds with warrants	(256,196)	(476,943)
Proceeds from issuance of common stock to non-controlling shareholders	2,196	1,195
Repayments to non-controlling shareholders	(16)	(854)
Payments for redemption of preferred securities	(150,000)	(468,956)
Dividends paid by MUFG	(241,067)	(246,563)
Dividends paid by subsidiaries to non-controlling shareholders	(53,896)	(77,008)
Purchases of treasury stock	(201,050)	(217,666)
Proceeds from sales of treasury stock	2,225	3
Payments for purchases of subsidiaries' equity not affecting the scope of consolidation	(50,364)	(1,612)
Proceeds from sales of subsidiaries' equity not affecting the scope of consolidation	0	0
Others	0	4
Net cash provided by (used in) financing activities	(290,538)	(670,592)
Effect of foreign exchange rate changes on cash and cash equivalents	(80,462)	(45,486)
Net increase (decrease) in cash and cash equivalents	5,976,322	15,204,534
Cash and cash equivalents at the beginning of the period	33,968,391	18,763,856
Cash and cash equivalents at the end of the period	39,944,713	33,968,391



# Company Overview

## Major MUFG Group Companies

(As of March 31, 2018)

■ Consolidated subsidiary ● Equity method investee

### Mitsubishi UFJ Financial Group

#### Commercial Bank

- MUFG Bank\*
- Bank of Ayudhya Public Company
- Security Bank Corporation
- Vietnam Joint Stock Commercial Bank for Industry and Trade

#### Credit Cards / Consumer Finance / Installment Credit

- Mitsubishi UFJ NICOS
- ACOM
- JACCS
- JALCARD

#### Commercial Bank Holding Company

- MUFG Americas Holdings Corporation
- Dah Sing Financial Holdings

#### Leasing

- Mitsubishi UFJ Lease & Finance
- Hitachi Capital

#### Trust Bank

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

#### Asset Management

- MU Investments
- Mitsubishi UFJ Kokusai Asset Management
- Mitsubishi UFJ Asset Management (UK)
- Mitsubishi UFJ Baillie Gifford Asset Management
- MUFG Lux Management Company

#### Securities

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

#### Holding Company

- MUFG Investor Services Holdings (Fund Management)
- AMP Capital Holdings (Asset Management)

#### Internet Bank / Regional Bank

- Jibun Bank
- The Chukyo Bank

#### Others

- Mitsubishi UFJ Real Estate Services
- Japan Digital Design
- Mitsubishi Research Institute DCS

\* Bank of Tokyo-Mitsubishi UFJ, Ltd. was rebranded MUFG Bank, Ltd. on April 1, 2018.  
Note: In August 2018, MUFG Bank increased its investment in PT Bank Danamon Indonesia, Tbk., making it an equity method investee.

## Corporate Information

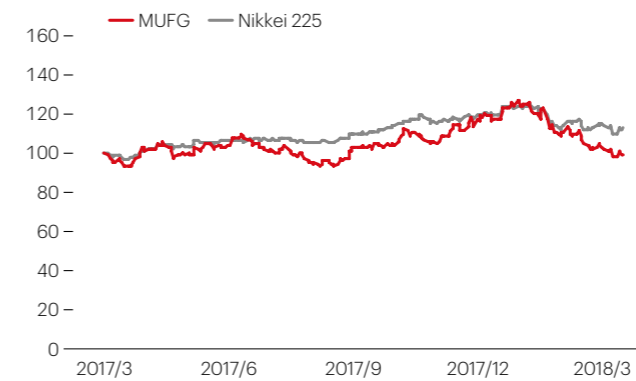
(As of March 31, 2018)

Company Name	Mitsubishi UFJ Financial Group, Inc.
Head Office	7-1, Marunouchi 2-Chome, Chiyoda-ku, Tokyo 100-8330, Japan
Date of Establishment	April 2, 2001
Amount of Capital	¥2,141.5 billion
Common Stock (Issued)	13,900,028,020 shares
Stock Listing	Tokyo Stock Exchange, Nagoya Stock Exchange, New York Stock Exchange
Ticker Symbol Number	8306 (Tokyo Stock Exchange, Nagoya Stock Exchange) MUFG (New York Stock Exchange)*
Number of shareholders	685,265

\* Mitsubishi UFJ Financial Group, Inc. changed the ticker symbol it uses at the New York Stock Exchange (NYSE) from "MTU" to "MUFG" on April 1, 2018.

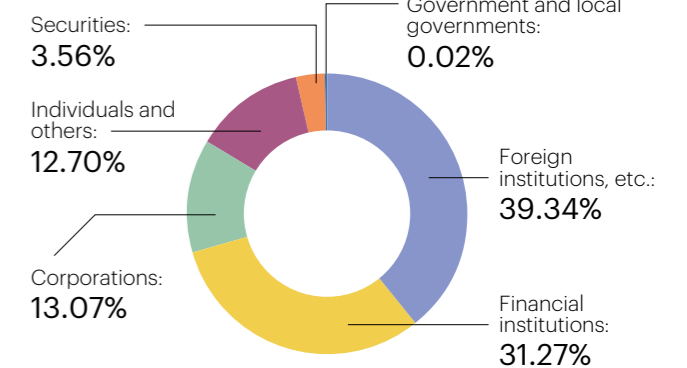


#### Stock Price Tokyo Stock Exchange



Note: Share index (2017/3E = 100)

#### Ownership and Distribution of Shares\*



\* Excludes treasury shares and fractional shares

#### Website

For more detailed information, please refer to our website.



#### About MUFG

<https://www.muftg.jp/english/> (English)

#### Note: Abbreviation of group companies in the MUFG Report

- the Bank: MUFG Bank
- the Trust Bank: Mitsubishi UFJ Trust & Banking Corporation
- the Securities HD: Mitsubishi UFJ Securities Holdings
- MUMSS: Mitsubishi UFJ Morgan Stanley Securities
- NICOS: Mitsubishi UFJ NICOS
- MUAH: MUFG Americas Holdings Corporation
- KS: Bank of Ayudhya (Krungsri)



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