

**Committed to empowering  
a brighter future.**

**MUFG Report 2021**  
**Integrated Report**



In the coming era of centenarians, what will you do next?



As you move on to the next life stage, we, too, will move on to empower you.

## Committed to empowering a brighter future.



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



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

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### Editorial Overview

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

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

\*1 A private-sector foundation established in 2010 by companies, investors, accounting organizations and administrative agencies to develop an international framework for corporate reporting.

### Definitions of Specific Terms Used in This Report

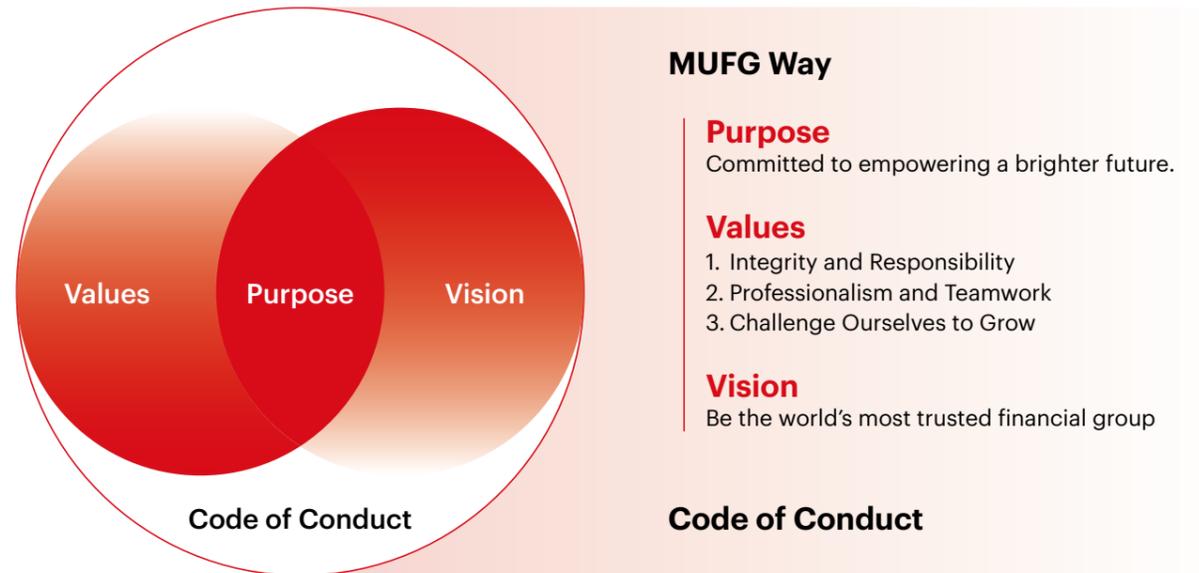
MUFG/The Group: Mitsubishi UFJ Financial Group, Inc. and its subsidiaries and affiliates  
 The Bank: MUFG Bank, Ltd.  
 The Trust Bank: Mitsubishi UFJ Trust and Banking Corporation  
 The Securities: Mitsubishi UFJ Securities Holdings Co., Ltd. and its subsidiaries  
 NICOS: Mitsubishi UFJ NICOS Co., Ltd.  
 MUAH: MUFG Americas Holdings Corporation  
 Krungsri (KS): Bank of Ayudhya Public Company Limited  
 Bank Danamon (BDI): PT Bank Danamon Indonesia, Tbk.  
 FSI: First Sentier Investors Holdings Pty Ltd  
 DS: Digital Service Business Group  
 R&C: Retail & Commercial Banking Business Group  
 JCIB: Japanese Corporate & Investment Banking Business Group  
 GCIB: Global Corporate & Investment Banking Business Group  
 GCB: Global Commercial Banking Business Group  
 AM/IS: Asset Management & Investor Services Business Group  
 Global Markets: Global Markets Business Group

### Disclaimer

This report contains forward-looking statements with regard to the expectations, forecasts, targets and plans of Mitsubishi UFJ Financial Group, Inc. and its subsidiaries and affiliates. These forward-looking statements are based on information currently available to the Group and are stated in this document on the basis of the outlook at the time that this document was produced. In producing these forward-looking statements, certain assumptions (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.

# MUFG Way

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



## Purpose

### Committed to empowering a brighter future.

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

## Values

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

## Vision

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

## To Empower All Our Stakeholders

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

### To empower our customers and business partners

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

### To empower our communities and society

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

### To empower the future generations

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

### To empower the employees of MUFG

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

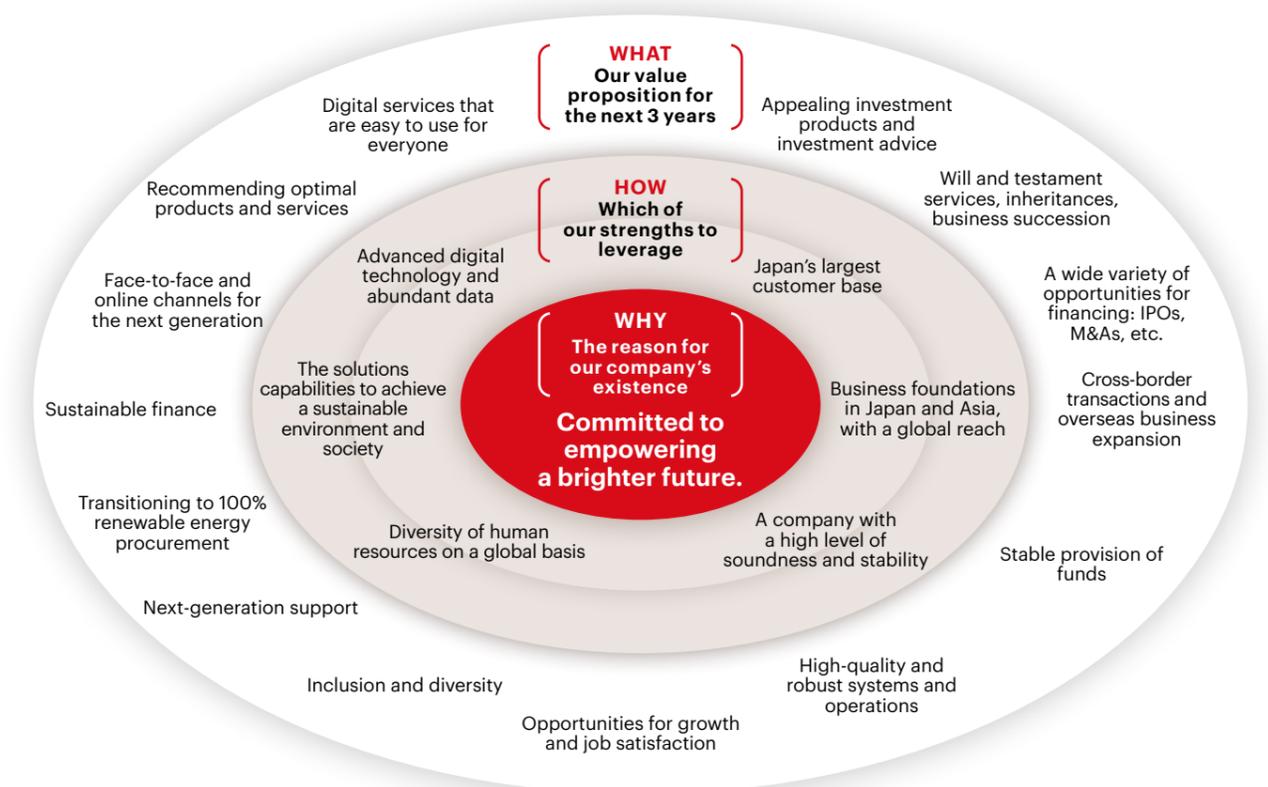
### To empower shareholders

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

## Reorganized Positioning of Business Strategies Based on Purpose

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

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



## Message from the CEO

“Committed to empowering a brighter future.”

Propelling Innovation



**Hironori  
Kamezawa**

President & Group CEO

### Declaring Our Purpose

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

We of course have long understood our practical function as a financial institution. But how we expressed our vision and mission has been hard to intuit. We needed a direct, simple phrase to capture why we take pride in our work and believe it's vital.

So I took out a pen and wrote the following as a rough draft: “We provide safe, secure and highly convenient financial services that customers can delight in using.” Obviously, this was just a start, but it prompted opinions from others throughout the organization, and we embarked on an energetic discussion to refine our thinking.

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

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

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

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

### Assessing Our Environment & Challenges

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

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

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

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

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

We're equipping ourselves to analyze such shifts with accuracy, and to find opportunities in trends

## Message from the CEO

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

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

MUFG stock price reflects this severity, with a Price Book-value Ratio (PBR) persistently below 0.5. Obviously, all members of MUFG management take this issue very seriously. Two reasons explain the stagnation. First, our capital management is not efficient enough. Second, we are failing to articulate a clear path toward growth and to realizing our vision. We know prolonged low interest rates are no longer an excuse. We must openly push business-model reforms forward at an even faster pace.

## Outcomes & Issues From Our Previous Three-Year Plan

Our aim throughout the three years of our previous Medium-Term Business Plan – under the banner of the MUFG Re-Imagining Strategy<sup>\*1</sup> – was the transition to a business model adaptable to a low interest rate environment. These three years were positioned as the first half of a six-year course of structural reforms.

So far, we've focused on integrating management structures across all MUFG Groups, such as the corporate lending operations of the Bank and the Trust Bank. We've

also promoted structural reforms using digital technologies. These efforts help optimize how we allocate resources, including management, across our enterprise.

We've expanded our overseas business portfolio as well, building on a long-term strategy that commenced in 2008 with our investment in Morgan Stanley; making the U.S.-based Union Bank a wholly-owned subsidiary that same year; and acquiring the Thailand-based Bank of Ayudhya (Krungsri) in 2013. In 2019, Indonesia-based Bank Danamon, along with Australia-based asset-management specialists First Sentier Investors (FSI), joined our constellation as subsidiaries. Our business portfolio has progressively grown more extensive, freeing us to diversify both profit sources and risks on a global basis. This portfolio of business assets equips us with a unique source of strength that no others in Japan's financial industry can claim.

To be sure, we faced other challenges as we focused on overseas expansion. For instance, the earning power of our domestic commercial banking business is ebbing. Also, our overseas acquisition strategy has focused too keenly on commercial banks that primarily handle interest-rate dependent businesses like deposits and lending. This makes our structure more sensitive to rate fluctuations and vulnerable to global interest-rate trends. Administrative costs at Head Office have also grown more burdensome, to meet growing demands of overseas regulatory compliance and support more collaboration among Group teams.

But this doesn't mean the overall direction of our MUFG Re-Imagining Strategy has been misguided. Our assessment of trends and deep social shifts at the launch of this strategy four years ago was generally correct. So was our identification of issues to address, and because the COVID-19 pandemic has since given many of them added momentum and significance, we need to gear up our efforts to adapt.

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

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

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

What might we do?

## Our New Medium-Term Business Plan

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

This time, we began our planning through intense, open discussions among senior leadership throughout the MUFG constellation, starting a year in advance with multiple online sessions. We examined our strengths and

obstacles to shape a shared view of our future, with not only business but also social forces sharply in mind

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

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

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

The result was our new Medium-Term Business Plan.

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

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

## Message from the CEO

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

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

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

## Digital Transformation

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

has been organic. With repeated short learning curves, transformation on the consumer side has gone pretty smoothly.

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

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

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

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

## Addressing Environmental & Social Issues

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

To address environmental issues, we announced the MUFG Carbon Neutrality Declaration\*<sup>2</sup> in May 2021, a vigorous commitment – based on concrete action plans – to combat climate change. Simultaneously, we became the first financial institution in Japan to join the Net-Zero Banking Alliance (NZBA)\*<sup>3</sup> launched by the United Nations Environment Programme Finance Initiative (UNEP FI). Applying substantive input from dialogue with investors, we will identify and commit – with clarity and transparency – to specific targets for action.

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

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

To address social issues, we're keenly focused on inclusion & diversity, and because of upheavals caused by the pandemic, we believe people are

primed to help shape an uncertain future by embracing positive social change. As an organization, we wish to seize this moment to share diverse perspectives and infuse new ideas into our own workplace, not just the market.

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

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

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

## Transforming Our Corporate Culture

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

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

## Message from the CEO

open perspective on innovation and initiatives that lead to transformation.

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

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

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

## Capital Management & Shareholder Returns

In May 2021, MUFG announced our renewed target for capital management. Previously, our Common Equity Tier 1 (CET1) capital ratio was calculated using a variety of methods

encompassing the finalized Basel III reforms basis and versions of the current regulation, both including and excluding net unrealized gains on available-for-sale securities. But the lack of a single, definitive calculation method has made it hard for investors to assess MUFG's status.

So, in conjunction with our new MTBP, we've adopted a unified, easy-to-understand calculation method based on the finalized Basel III reforms, excluding net unrealized gains on available-for-sale securities, with our target for the CET1 capital ratio set at the 9.5% to 10.0% range. Premised on a CET1 capital ratio that falls within this range, we will maintain a policy of progressive dividends while making decisions on measures aimed at capital accumulation, additional shareholder returns and/or growth investments in light of prevailing circumstances.

From the perspective of capital utilization, under the previous MTBP we used capital to acquire Bank Danamon and FSI. In line with the new MTBP, we will switch our focus to securing returns from major investments we've already undertaken. However, we will consider the possibility of new investment in digital, overseas asset management and other select fields on an ongoing basis. Also, the gradual exemption of special treatment that allows our investment in Morgan Stanley to not be deducted from capital will completely expire in fiscal 2022. Therefore, we expect capital surplus to emerge during the new MTBP period.

Taking these factors into account, we will keep enhancing the content of shareholder returns under our new MTBP, with dividends as a primary vehicle. In line with our fiscal 2023 targets of profits attributable to owners of the parent of ¥1 trillion or more, and a dividend payout ratio of 40%, we will steadily raise the amount of dividends per share.

As for our dividend forecasts for fiscal 2021, we intend to pay a full-year dividend of ¥27 per share, up ¥2 per share year-on-year. With regard

to share repurchases, we have adopted a cautious stance in light of current circumstances – namely, difficulty in predicting when the pandemic will be contained – and in May 2021 decided not to execute share repurchases. But we will not remove the possibility of executing repurchases some time before the end of fiscal 2021.

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

## Envisioning “MUFG Has Changed!” a Year Later

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

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

The will to accomplish all this begins with each MUFG colleague thoroughly *Committed to empowering a brighter future*. Our fresh statement of *Purpose* applies to all we do, from

the most overarching strategy to the most humble routine. This idea, this ideal, inculcated in minds of all our colleagues, has the power to transform our culture, propel innovation and drive our performance to where it should be.

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

*“MUFG has changed!”*

July 2021



Hironori Kamezawa  
President & Group CEO

## Notes

<sup>\*1</sup> Business-model reforms to achieve a simple, speedy and transparent groupwide integrated management approach.

<sup>\*2</sup> MUFG declared our commitment to reduce greenhouse gas (GHG) emissions from our investment & financing portfolio to net zero by the end of 2050, and from our own business operations by the end of 2030.

<sup>\*3</sup> An international initiative for banks launched by the UNEP FI in April 2021 to support a commitment to reduce GHG emissions attributable to its members' investment & financing portfolios to net zero by the end of 2050.

<sup>\*4</sup> An indicator for comprehensively measuring yields available to shareholders, TSR is calculated by dividing the sum of dividends per share and capital gains by investment in specific stock.

## Message from the CEO

## Reflections &amp; Aspirations

## Propelling Innovation With an Open-Minded Organization

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

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

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

I've had the priceless chance to interact with this young talent at MUFG. I'm reminded how youth seems naturally equipped with a mindset free from too many preconceptions. My generation tends to think within frameworks and boundaries of nations and organizations. But younger people are inclined to pay more attention to issues transcending these borders – universal human and social issues like inequality and environmental threats. It's thrilling to work with these nimble young minds as we brainstorm on the future of MUFG, plowing and planting a fresh field of ideas.



Outside observers often describe the MUFG culture as categorically conservative. There's truth to that. But I'd also say that, over recent years, we've grown more open, gradually transitioning to a freer-thinking culture where we can all interact naturally, across ranks, geographies and business units. To create a workplace that's fun and attractive to the types of people we need, we have to foster an environment where defenses can be safely lowered and people can share what they really think.

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

## A Guide to Quickly Understanding Where MUFG Is Now

Keyword	Location of relevant topics touched on in the Message from the CEO	Message summary	Locations of detailed descriptions
<b>Purpose</b>	Page 6	In 2021, MUFG defined "Committed to empowering a brighter future." as its Purpose. MUFG aspires to support our customers, employees, shareholders, investors and all other stakeholders in their 'next step forward' – whatever positive step they wish that to be; and to act as a constructive force for the earth's natural environment and society as a whole.	MUFG Way <b>Pages 3–4</b>
<b>Improving ROE</b>	Page 9	A primary target of our new plan is to raise ROE to 7.5% in fiscal 2023. To help achieve this, we've set associated targets for profits, expenses and risk-weighted assets (RWAs). We intend to strengthen control of our resources, solidify our domestic business revenue base and render our global business more resilient – all with the aim of being consistently capable of at least ¥1 trillion in profits attributable to owners of the parent.	Overview of the New Medium-Term Business Plan (MTBP) <b>Pages 31–34</b> Message from the CFO <b>Pages 36–39</b>
<b>Digital transformation (DX)</b>	Page 9	The Digital Service (DS) Business Group has been newly established to provide highly convenient value-added customer services online (also through online channels) using digital technologies. The group is also spearheading across-the-board digital transformation to make us far more efficient as an organization. We will step up collaboration with external business operators to build out our Banking as a Service (BaaS) model that offers our financial functions to diverse digital channels.	Digital Service Business Group <b>Pages 53–54</b> Evolving into a Financial and Digital Platform Operator <b>Pages 67–68</b>
<b>Contribution to addressing environmental and social issues</b>	Page 10	We know MUFG's long-term health is tied to environmental and social responsibility, and management strives to balance our own growth strategies with duties. Our new MTBP steps up this approach and targets ten environmental and social priorities that each business group will address through its business strategies. Moreover, we announced the MUFG Carbon Neutrality Declaration, a vigorous commitment – based on concrete action plans – to combat climate change.	Sustainability Management Focused on Addressing 10 Priority Issues <b>Pages 25–28</b> Sustainability Initiatives <b>Pages 75–86</b>
<b>Corporate culture reforms focused on "speed" and "new challenges"</b>	Page 10	Because culture touches everything we do, this is perhaps our most important transformation initiative. It's imperative that MUFG operates with an open-minded, speed-oriented global team of employees who resonate with management's vision, think and act spontaneously and welcome innovation. Aiming to directly communicate management ideas to employees, we implement a variety of engagement initiatives, including town hall meetings.	Transform Our Corporate Culture <b>Pages 69–70</b> Human Resources Strategy <b>Pages 71–74</b>
<b>Inclusion &amp; diversity</b>	Page 10	We consider it important to facilitate the exchange of opinions among diverse human resources and incorporate new ideas to determine our next move. We believe this is key to keeping our organization viable. To improve gender diversity at our leadership levels, we've set a target of raising the ratio of women holding positions of line manager or higher to 18% in our Japan operations by 2023.	Inclusion & Diversity <b>Page 73</b>
<b>Shareholder returns</b>	Page 11	We will keep enhancing the content of shareholder returns under our new MTBP, with dividends as a primary vehicle. In line with our fiscal 2023 targets of profits attributable to owners of the parent of ¥1 trillion or more, and a dividend payout ratio of 40%, we will steadily raise the amount of dividends per share.  With regard to share repurchases, we have adopted a cautious stance in light of current circumstances and in May 2021 decided not to execute share repurchases. But we will not remove the possibility of executing repurchases some time before the end of fiscal 2021.	Message from the CFO <b>Pages 39–41</b>

## MUFG's History—How We Created Value

1656–

Hard-earned trust backed by a history spanning more than 360 years and a robust customer base



Source: Konoike Limited Partnership Company



Source: The Mitsubishi Archives



Source: Kanagawa Prefectural Museum of Cultural History

Supported Japan's modernization and periods of high growth, expanding alongside the country's economy

2005–

MUFG was inaugurated as a financial group equipped with comprehensive functions and the largest customer base in Japan



The merger of Mitsubishi Tokyo Financial Group and UFJ Holdings

2008–

Strengthened global investment banking operations and initiated the provision of services employing collaboration between Group companies



Invested US\$9 billion in Morgan Stanley (U.S.) during the global financial crisis

2012–

Enhanced our presence in the ASEAN region, a key market region in terms of our growth strategies



Invested in commercial banks in Thailand, Vietnam and the Philippines

2017–

Began offering an array of solutions supported by a groupwide integrated management approach



Launched the MUFG Re-Imagining Strategy  
Invested in a commercial bank in Indonesia

2021–

Started to take on the challenge for business model reforms to realize the "MUFG Way"



Promoting "Corporate Transformation" focused on digitalization, sustainability, speed and new challenges in line with our newly defined Purpose

1656

- Konoike Exchange Bureau opened in Osaka (Precursor of Sanwa Bank founded in 1933)

1880

- Mitsubishi Exchange House established by Yataro Iwasaki (Precursor of Mitsubishi Bank founded in 1919)
- Yokohama Specie Bank established (Precursor of The Bank of Tokyo founded in 1946)

1927

- Mitsubishi Trust established
- Kawasaki Trust established

1941

- Tokai Bank established

1948

- Yachiyo Securities established

1959

- Toyo Trust and Banking established

2005

- MUFG inaugurated Mitsubishi UFJ Trust and Banking, Mitsubishi UFJ Securities inaugurated

2006

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

2007

- Mitsubishi UFJ NICOS inaugurated

2008

- Strategic alliance with Morgan Stanley
- UnionBanCal Corporation became a wholly owned subsidiary of MUFG
- ACOM became a subsidiary of MUFG (JGAAP only)

2010

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

2012

- MUFG Corporate Vision renewed

2013

- Conversion of Bank of Ayudhya (Krungsri), a major commercial bank in Thailand, into a subsidiary
- Capital and operational alliance with Vietnam Joint Stock Commercial Bank for Industry and Trade (VietinBank), a national bank in Vietnam

2014

- Integration of Union Bank operations and MUFG Bank Americas business

2015

- Moved to a "company with three committees" structure

2016

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

2018

- Reorganized business groups based on client segmentation and transitioned to a structure comprising six business groups
- Integrated corporate loan-related business of the Bank and the Trust Bank

2019

- Conversion of Bank Danamon, Indonesia, into a subsidiary
- Conversion of Australia-based asset manager First Sentier Investors into a subsidiary

2020

- Capital and operational alliance with Grab, Singapore

2021

- Established the MUFG Way (renamed from Corporate Vision)
- Launched the Digital Service Business Group, transitioning to a seven-business group structure
- Announced the MUFG Carbon Neutrality Declaration

### Economic and social trends

2005

- Transition to limited deposit guarantee "payoff" scheme in Japan

2006

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

2008

- Financial crisis triggered by Lehman Brothers

2010

- The debt crisis emerges in Europe

2011

- The Great East Japan Earthquake

2012

- The Abenomics stimulus package initiated

2013

- The BOJ introduces quantitative and qualitative monetary easing policies

2016

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

2018

- U.S.-China trade friction

2020

- The COVID-19 pandemic emerges

# The Seven Business Group Structure

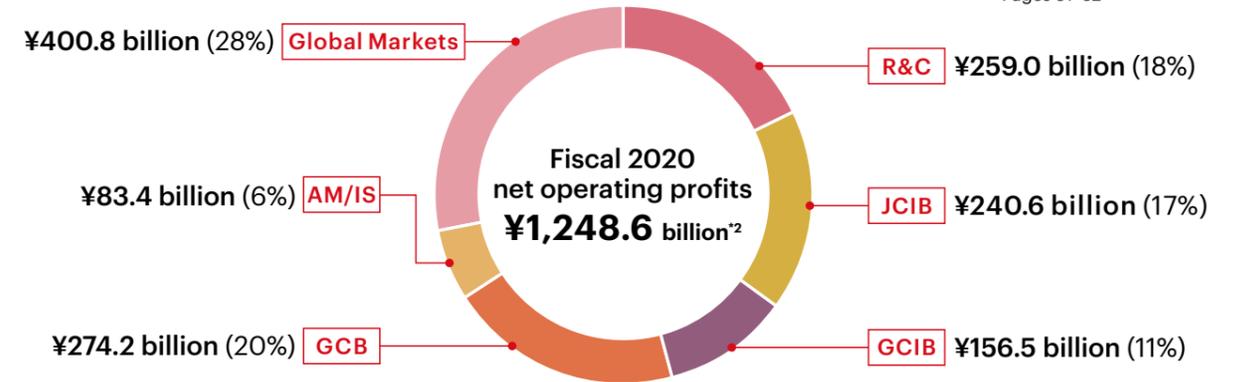
—Our Structure for Practicing Value Creation

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

Business Group	Overview
<p><b>Established in April 2021</b> <b>Digital Service</b> <b>DS</b></p>	<p>Targeting domestic individual customers and corporate clients whose interactions with the Group mainly involve non-face-to-face transactions, this business group provides digital-driven financial services and, to this end, strives to expand digitized transactional contact points and enhance customer convenience. At the same time, it is charged with spearheading MUFG's cross-the-board digital transformation to secure an even stronger business platform.</p> <p><b>Detailed look at operations</b> ..... Pages 53–54</p>
<p><b>Retail &amp; Commercial Banking</b> <b>R&amp;C</b></p>	<p>Having positioned domestic individual customers and corporate clients as targeted customer segments, this business group employs a groupwide, integrated approach as it strives to meet diverse customer needs via the provision of a range of financial services and solutions. Its lineup includes such financial services as lending and settlement as well as those associated with asset management, inheritance and real estate in addition to business and asset succession solutions.</p> <p><b>Detailed look at operations</b> ..... Pages 55–56</p>
<p><b>Japanese Corporate &amp; Investment Banking</b> <b>JCIB</b></p>	<p>Serving major Japanese corporations seeking to expand globally, this business group provides loan, settlement, forex and other services while offering comprehensive solutions backed by Group companies' specialist expertise related to M&amp;A and real estate to help customers achieve growth in their corporate value.</p> <p><b>Detailed look at operations</b> ..... Pages 57–58</p>
<p><b>Global Corporate &amp; Investment Banking</b> <b>GCIB</b></p>	<p>Offering a comprehensive set of corporate &amp; investment banking services that provide value-added solutions for large global corporate and financial institution customers by leveraging our extensive network and product capabilities through an integrated business model involving the Bank and the Securities.</p> <p><b>Detailed look at operations</b> ..... Pages 59–60</p>
<p><b>Global Commercial Banking</b> <b>GCB</b></p>	<p>This business group boasts robust networks in both the United States and Southeast Asia and provides financial services to local SMEs and individuals overseas through its partner banks,<sup>*1</sup> such as MUFG Union Bank in the United States, Krungsri (Bank of Ayudhya) in Thailand and Bank Danamon in Indonesia, etc.</p> <p><sup>*1</sup> This business group is in charge of MUFG Union Bank, Krungsri (Bank of Ayudhya), Bank Danamon, VietinBank and Security Bank, etc.</p> <p><b>Detailed look at operations</b> ..... Pages 61–62</p>
<p><b>Asset Management &amp; Investor Services</b> <b>AM/IS</b></p>	<p>Employing its sophisticated specialist know-how in the areas of asset management (AM), investor services (IS) and pensions, this business group provides such services as consulting while constantly striving to further enhance its asset management capabilities and product development capabilities to better meet the diverse needs of customers at home and abroad.</p> <p><b>Detailed look at operations</b> ..... Pages 63–64</p>
<p><b>Global Markets</b> <b>Global Markets</b></p>	<p>This business group primarily handles customer-segment sales &amp; trading (S&amp;T) operations<sup>*1</sup> associated with interest rates (bonds), forex and equities while comprehensively managing assets, liabilities and various risks via treasury operations.<sup>*2</sup></p> <p><sup>*1</sup> Collective term for sales operations involving the provision of financial products and solutions, including forex and derivatives, to customers and trading operations involving the trading of marketable products between banks or through an exchange. <sup>*2</sup> 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.</p> <p><b>Detailed look at operations</b> ..... Pages 65–66</p>

Fiscal 2020 Composition of Net Operating Profits<sup>\*1</sup> by Business Group

Business Group Performance Pages 51–52



<sup>\*1</sup> All figures are in actual exchange rate and managerial accounting basis  
<sup>\*2</sup> Including profits or losses from others

Main Customers for Each Business Group

Customers	Business groups						
	DS	R&C	JCIB	GCIB	GCB	AM/IS	Global Markets
Domestic individual customers and corporate clients (non-face-to-face transactions)	●	● <sup>*3</sup>					
Domestic individual customers and SMEs		●				●	
Major Japanese corporations			●			●	●
Large global corporate clients				●		●	●
Overseas individual customers and SMEs					●		

Main Subsidiaries Belonging to Each Business Group

Main business areas	Subsidiaries	Business groups						
		DS	R&C	JCIB	GCIB	GCB	AM/IS	Global Markets
Banking	MUFG Bank	●	●	●	●	●		●
	MUAH				●	●		
	Krungsri (Bank of Ayudhya)					●		
	Bank Danamon					●		
Trust banking	Mitsubishi UFJ Trust and Banking		●	●			●	●
	Mitsubishi UFJ Kokusai Asset Management						●	
	First Sentier Investors						●	
Securities	Subsidiaries of Mitsubishi UFJ Securities Holdings		●	●	●			●
Card business and consumer finance	NICOS	●	● <sup>*3</sup>					
	ACOM	●	● <sup>*3</sup>					

<sup>\*3</sup> Transferred from former R&C to DS

# MUFG's Unique Strengths

—What Strengths Are We Leveraging for Value Creation?

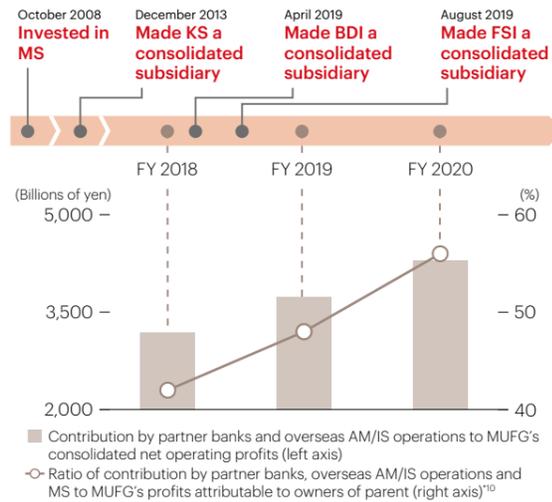
## A Unique Business Portfolio of MUFG

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

### MUFG's Business Portfolio

	Japan	Overseas
<b>Banking (large corporate)</b>	MUFG Bank	
<b>Securities</b>	MUMSS <sup>4</sup> and MSMS <sup>5</sup>	MUFG Securities <b>MS<sup>6</sup> Strategic alliance</b>
<b>Banking (retail and commercial)</b>	MUFG Bank	MUAH, <sup>7</sup> KS, <sup>8</sup> BDI <sup>9</sup> (partner banks) <b>A unique business portfolio of MUFG</b>
<b>Card business and CF<sup>1</sup></b>	NICOS and ACOM	
<b>AM<sup>2</sup> and IS<sup>3</sup></b>	Mitsubishi UFJ Trust and Banking	FSI and MUFG Investor Services

\*1 Consumer finance \*2 Asset management \*3 Investor services  
 \*4 Mitsubishi UFJ Morgan Stanley Securities  
 \*5 Morgan Stanley MUFG Securities \*6 Morgan Stanley  
 \*7 MUFG Americas Holdings Corporation  
 \*8 Krungsri (Bank of Ayudhya) \*9 Bank Danamon



\*10 Figures for FY 2019 exclude impairment losses on fixed assets of NICOS; figures for FY 2020 exclude one-time amortization of goodwill of BDI and KS.

## A Commercial Banking Platform Encompassing the ASEAN Region

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



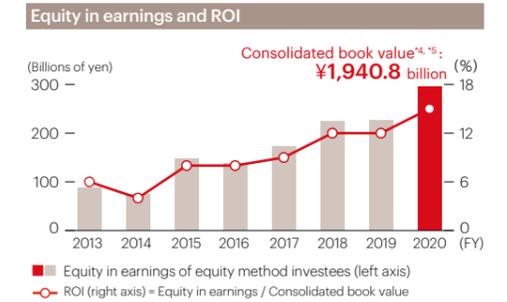
\*1 As of March 2021  
 \*2 Calculated based on the value of total assets. The ranking of Bank Danamon is determined by incorporating assets held by MUFG Bank's Jakarta Branch. The rankings for Thailand and the Philippines exclude government-funded financial institutions. (As of December 2020)  
 \*3 Based on information disclosed by each partner bank and data compiled for internal managerial purposes. (Figures for Krungsri and Bank Danamon are as of March 2021 and figures for VietinBank and Security Bank are as of December 2020)  
 \*4 Including 374 bases run by AdiraFinance

## Investment in and Alliance with Morgan Stanley

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

### History of Investment in and Alliance with MS

Major background	Results
<b>2008</b> Invested US\$9 billion in preferred stock in MS to fundamentally strengthen global investment banking operations	● Out of overseas investment banking operations, M&A advisory and ECM <sup>2</sup> make the best use of MS functions, emphasizing on improving management efficiency
<b>2009</b> Established LMJV <sup>1</sup> to provide corporate financing services in the Americas	● In the DCM <sup>3</sup> area, where affinity with lending is high, large-scale contracts are regularly closed through collaboration that takes advantage of the strengths of both companies
<b>2010</b> Established Mitsubishi UFJ Morgan Stanley Securities and Morgan Stanley MUFG Securities in Japan	● Maintaining top-class investment banking league tables in Japan, centered on M&A and DCM
<b>2011</b> Appointed the second representative to MS board of directors. Shares were converted into common stock. MS became MUFG's equity method affiliate	● Recognize MS's profit and loss by the amount of the equity ratio as equity in earnings of equity method investees
<b>At present</b> Expanding collaboration in wealth management and AM/IS	● Accelerate wealth management growth by learning know-how from MS ● In AM/IS, sales of MS investment products that have strengths progressed in Japan



### Continuous efforts on developing alliance

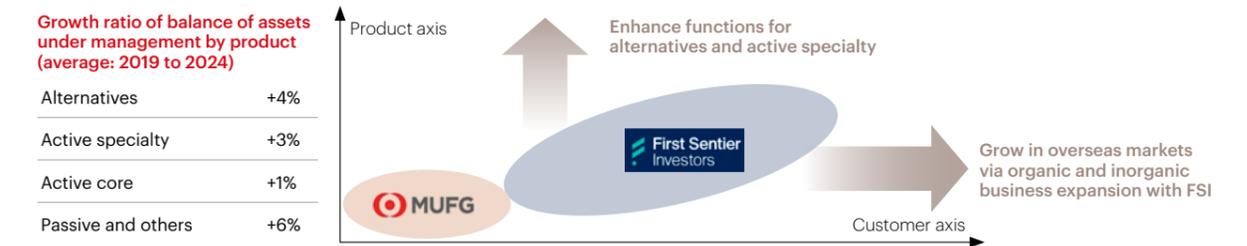
- Active dialogues between top management**
- The Global Steering Committee (GSC) is held twice a year. Senior management, including CEOs of both companies, continue to discuss the further development of the strategic alliance.
  - In recent years, collaboration and knowledge sharing progressed in wealth management, as discussions held at GSC being the starting point.
  - Two directors (Nobuyuki Hirano and Hironori Kamezawa)
- Secondment program (from 2010)**
- Accumulated total number of employees dispatched from MUFG to MS is over 70.<sup>6</sup> Internalizing MS's advanced practices and knowledge in various fields.

### Further Strengthening the Alliance—Developing New Stages of Collaboration

\*1 LMJV: Loan Marketing Joint Venture \*2 Equity Capital Markets \*3 Debt Capital Markets  
 \*4 As the exception to the double gearing regulation was lifted in stages from March 31, 2019 to March 31, 2023, capital deductions increased. As of March 31, 2021, the impact of this increase on the Common Equity Tier 1 (CET1) capital ratio (the finalized Basel III reforms basis) amounted to an approximately negative 0.5%. \*5 Including preferred shares  
 \*6 As of March 31, 2021

## Global AM operations

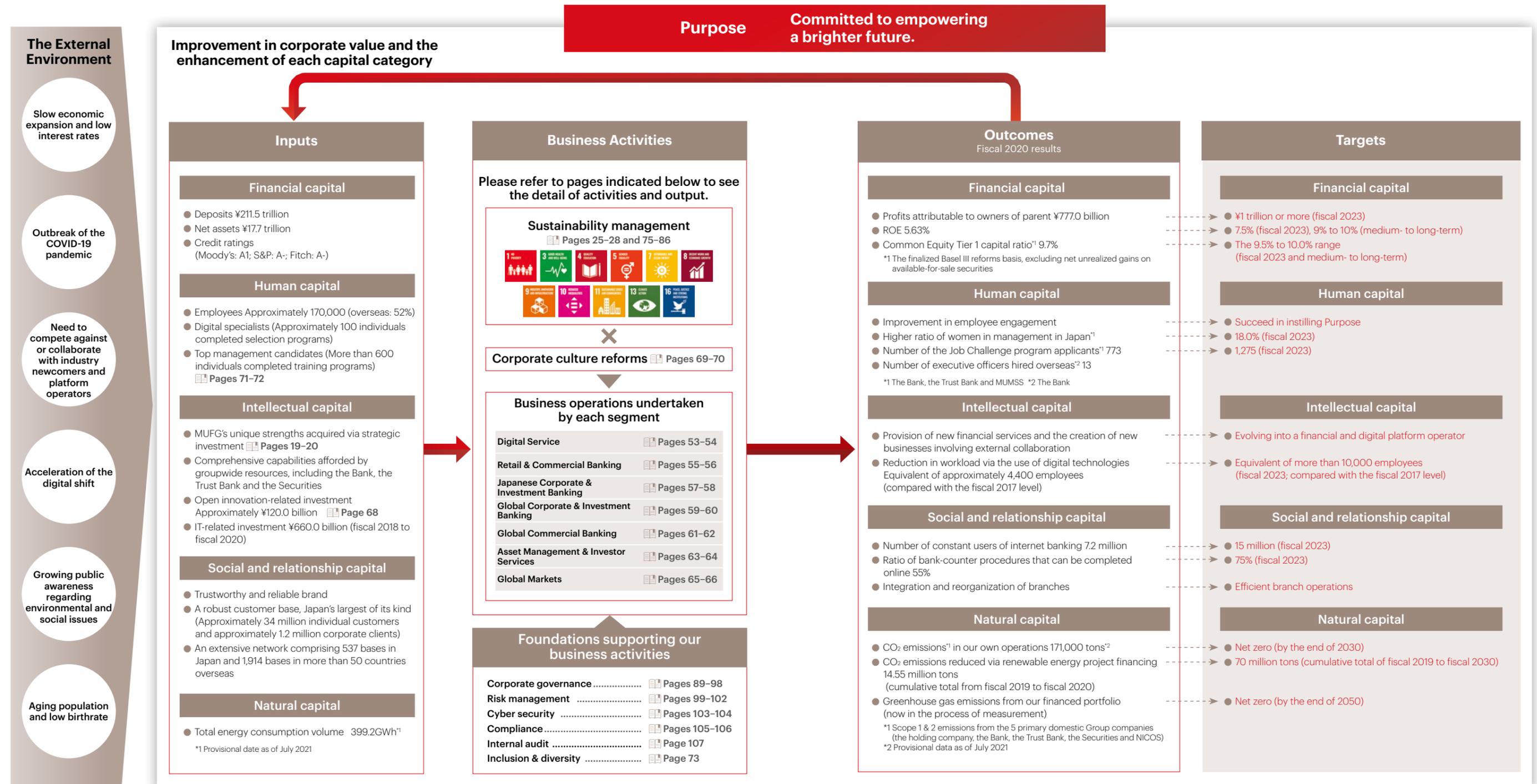
Having executed a strategic investment in the Australia-based asset management firm First Sentier Investors (FSI) in 2019, we have strengthened our global AM operations.



Sources: BCG and Cerulli

# Value Creation Process —What Value We Create and Deliver Sustainably

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



## Stakeholder Engagement

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

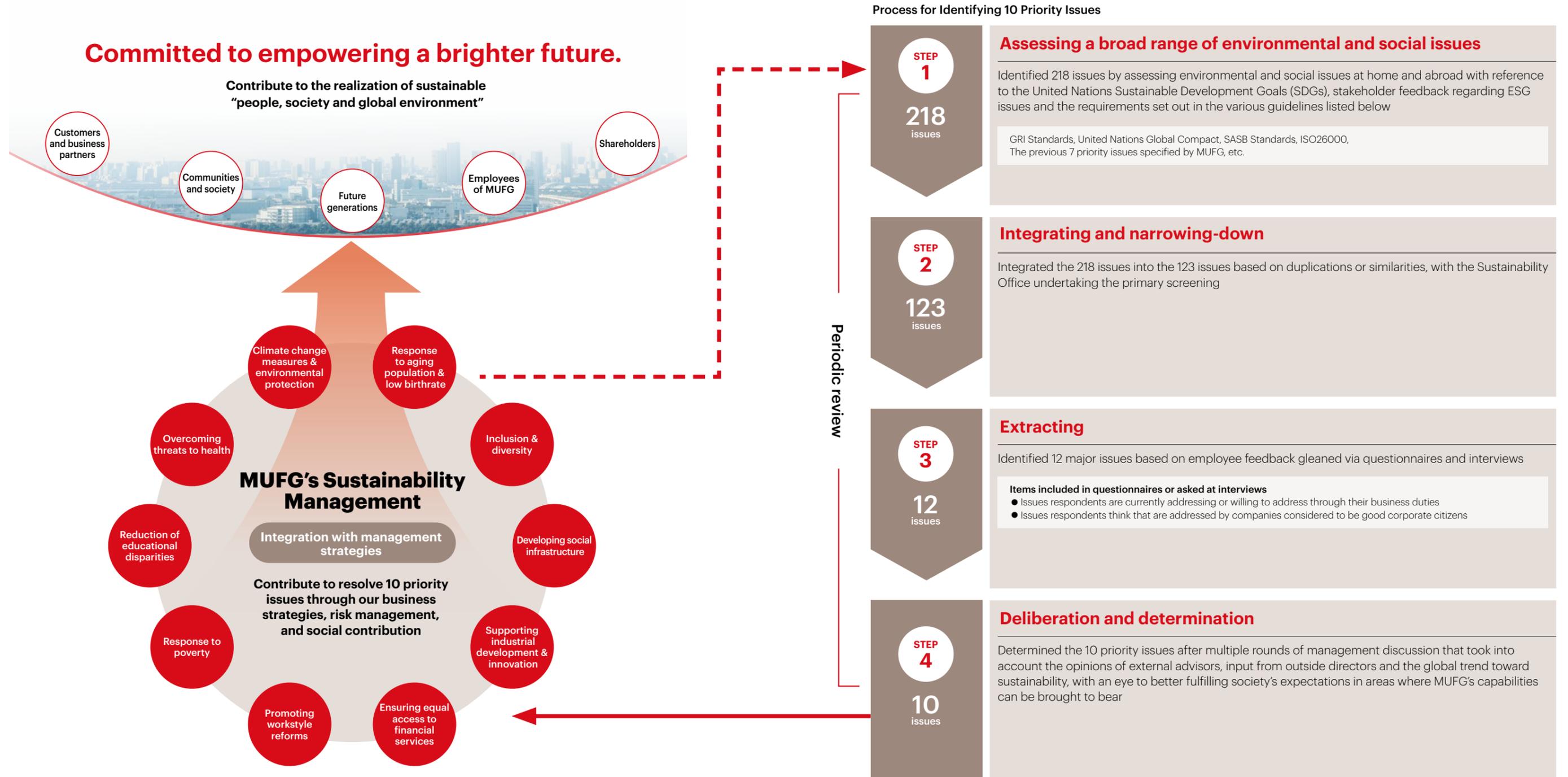
Key stakeholder groups		Value delivered to stakeholders		Policies for improving corporate value	Fiscal 2020 achievements
 <p><b>Customers and business partners</b></p>	<p><b>Individual:</b> Approximately 34 million individuals</p> <p><b>Corporate:</b> Approximately 1.2 million corporations</p>	<ul style="list-style-type: none"> <li>● Provide digital-driven, highly convenient services while meeting diverse needs for asset building, asset succession and other solutions backed by superior consulting functions</li> <li>● Incubate new businesses and help customers strengthen their business capabilities by taking advantage of our lineup of diverse financial solutions and global reach</li> </ul>		<p>Extend financial support to help customers resolve challenges they are confronting through business operations that precisely align with changes in the business environment and leverage MUFG's strength</p>	<ul style="list-style-type: none"> <li>● Customer feedback volume: Approximately 180,000 instances,<sup>*1</sup> including 249 inputs utilized to improve services</li> </ul> <p><small>*1 The Bank, the Trust Bank, MUMSS, NICOS and ACOM</small></p>
 <p><b>Communities and society</b></p>	<p><b>NPO/NGO</b> <b>Local communities</b> <b>Municipalities</b></p>	<ul style="list-style-type: none"> <li>● Take advantage of unique financial services to contribute to the development of disaster resilient infrastructure and the vitalization of regional communities in an effort to make society more resilient by upgrading the reliability and stability of social functions and pursuing innovation</li> <li>● Build a robust financial system equipped with enhanced cyber security measures and capable of offering superior convenience</li> </ul>		<p>Serve as a component of the financial infrastructure supporting society by offering stable funding and making our solid operations and systems available to customers while contributing to the social transition to digital technologies</p>	<ul style="list-style-type: none"> <li>● Number of dialogues held with NPO/NGO 23</li> <li>● Initiatives to address issues society is now confronting .....  <b>Pages 83–85</b></li> <li>● Cyber security-related initiatives .....  <b>Pages 103–104</b></li> </ul>
 <p><b>Future generations</b></p>	<p><b>The environment</b> <b>Younger people</b></p>	<ul style="list-style-type: none"> <li>● Push ahead with climate change measures and environmental protection initiatives to help realize a world in which human society harmoniously coexists with the global environment and to pass such a world down to the next generation</li> <li>● Support the sound upbringing of children, who will lead future generations, by engaging in a variety of social contribution activities</li> </ul>		<p>Discover opportunities from the pressing need for solutions for environmental and social issues, thereby becoming a pioneering company blazing a path into the coming era</p>	<ul style="list-style-type: none"> <li>● Climate change measures and environmental protection initiatives .....  <b>Pages 77–82</b></li> <li>● Assistance to younger generations .....  <b>Page 85</b></li> <li>● Participation in various global initiatives .....  <b>Page 86</b></li> </ul>
 <p><b>Employees of MUFG</b></p>	<p><b>Number of employees</b> <b>Approximately 170,000</b></p> <p><b>Domestic: 48%;</b> <b>Overseas: 52%</b></p>	<ul style="list-style-type: none"> <li>● Promote inclusion &amp; diversity</li> <li>● Provide opportunities for personal growth and offer an environment in which employees can direct their energies into working with a sense of fulfillment</li> </ul>		<p>Promote corporate culture reforms focused on “speed” and “new challenges” by winning employee empathy toward “Corporate Transformation” via dialogue</p>	<ul style="list-style-type: none"> <li>● Hold town hall meetings attended by top management members Around 100 occasions with a total attendance of approximately 60,000 employees at home and abroad .....  <b>Pages 69–70</b></li> <li>● Increased the number of satellite offices to 33</li> <li>● Ratio of headquarters employees who work from home 55% (as of March 31, 2021)</li> </ul>
 <p><b>Shareholders</b></p>	<p><b>Number of shareholders</b> <b>Approximately 840,000</b></p> <p><b>Domestic financial institutions</b> <b>Approximately 34%</b> <b>Overseas Approximately 30%</b> <b>Individuals Approximately 18%</b></p> <p><small>Note: Number of shareholders excludes those holding fractional shares. Percentage of shareholders by category is calculated excluding treasury stock.</small></p>	<ul style="list-style-type: none"> <li>● Strive for growth in stock price in step with sustainable improvement in corporate value while enhancing shareholder returns</li> </ul>		<p>Maintain highly transparent information disclosure and engagement in constructive shareholder dialogue while reflecting shareholder feedback in business management and strategies</p>	<ul style="list-style-type: none"> <li>● Number of attendees at the General Meeting of Shareholders 269 (a total of 1,014 shareholders watched the meeting online)</li> <li>● Number of presentation meetings held for institutional investors and analysts 8</li> <li>● Number of individual meetings with institutional investors 245 (117 meetings with overseas investors)</li> <li>● Number of online seminars held for individual investors 3 (a cumulative total of 1,700 viewers)</li> </ul>

## Sustainability Management Focused on Addressing 10 Priority Issues

MUFG considers the pursuit of sustainability to be one of its most important management issues.

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

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

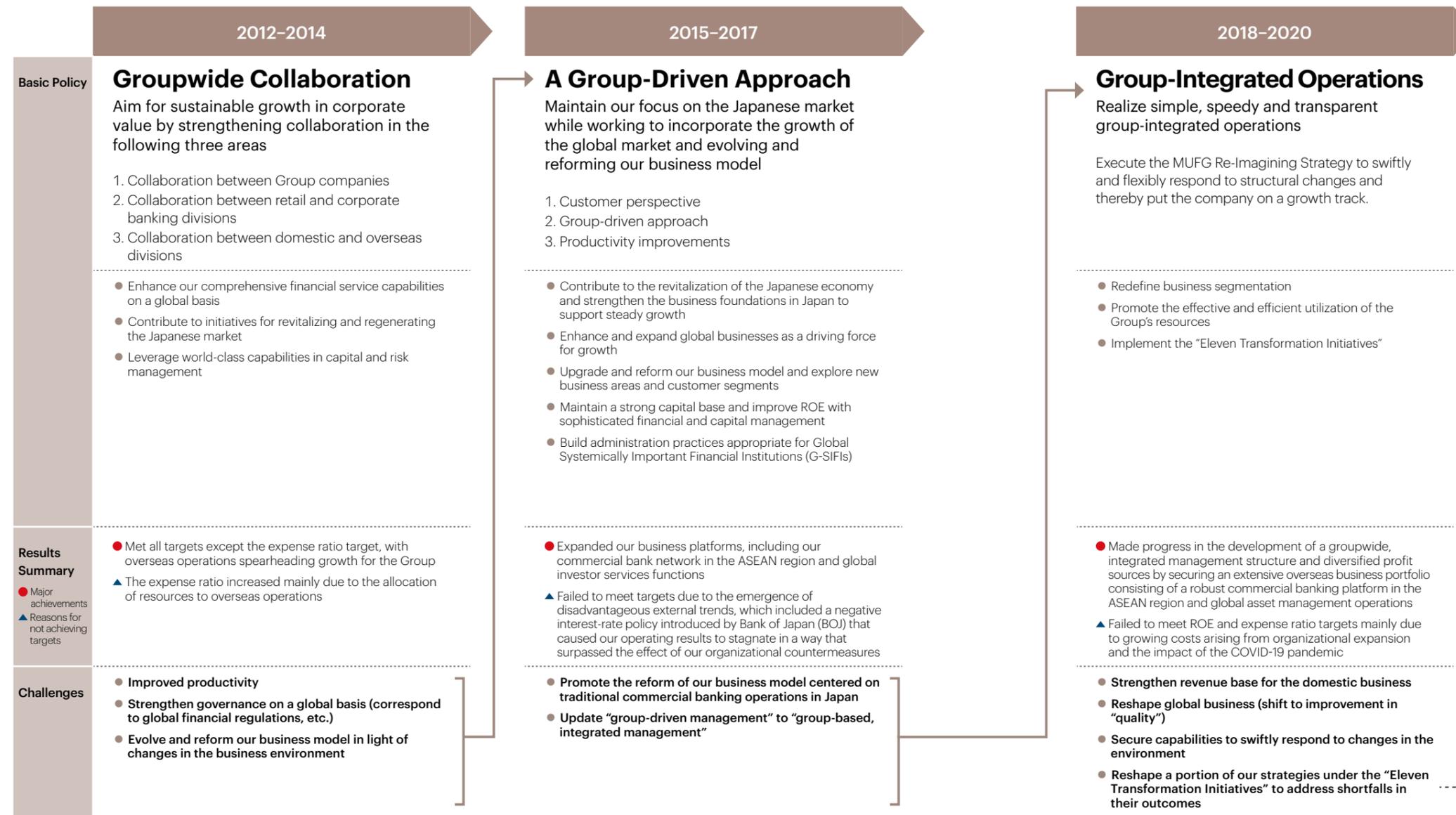


## Response to Opportunities and Risks

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

Important environmental and social issues	MUFG's recognition		Main initiatives	Corresponding SDGs
<b>Climate change measures &amp; environmental protection</b> Pages 77-82	<p><b>Opportunities and risks</b> The ongoing trend toward decarbonization is expected to result in major changes in global industrial structure which, in turn, will position MUFG and its customers to face both risks affecting their business continuity and opportunities for growth. It is important to ensure smooth transition to a decarbonized society and a virtuous cycle of environmental and economic improvement in order to realize a sustainable society.</p> <p><b>Opportunities and risks</b> The scope of across-the-board environmental protection initiatives is likely to expand to include not only climate change measures but also the protection of biodiversity, etc.</p>		<ul style="list-style-type: none"> <li>Carry out investment and financing to support climate transition and innovation aimed at realizing a decarbonized society (focus on financing renewable energy, hydrogen and next-generation energy and carbon recycling technologies)</li> <li>Provide ESG-related investment products while promoting proprietary ESG investment</li> <li>Classify climate change-related risks as Top Risks in the course of integrated risk management</li> <li>Regularly review the MUFG Environmental and Social Policy Framework and tighten its policy for financing</li> <li>Aim to raise renewable energy to 100% of total purchased energy via the use of a renewable energy options offered by power companies and the purchase of non-fossil certificates</li> <li>Create renewable energy via the launch of a renewable energy fund and purchase such energy</li> </ul>	 
<b>Response to aging population &amp; low birthrate</b> Page 83	<p><b>Opportunities</b> Leveraging our comprehensive financial service capabilities is important in order to meet evolving and diversifying customer needs in the face of changes in social structure due to aging population and low birthrate.</p> <p><b>Risks</b> The aging population and low birthrate may lead to economic stagnation and a decline in growth potential, leading to the shrinkage of both funding demand and interest margins, a situation that could, in turn, have a particularly negative impact on the traditional commercial banking businesses.</p>		<ul style="list-style-type: none"> <li>Offer support for customer efforts to prepare for the coming era of centenarians via, for example, the provision of asset building solutions and investment education</li> <li>Assist in the smooth succession of businesses and assets by taking advantage of functions offered by Group companies and a network afforded via external partners</li> <li>Develop products and services finely tuned to the needs of an aging society while providing digital-driven services</li> <li>Via donations and other measures, proactively assist the next generation of leaders by supporting students and other young people</li> </ul>	 
<b>Inclusion &amp; diversity</b> Pages 73 and 83	<p><b>Opportunities</b> Empowering diverse human resources to inspire one another will facilitate the creation of new concepts and ideas and the transformation of employee modes of behavior, enabling MUFG to foster an open-minded corporate culture and deliver new value that surpasses the expectations of customers and society as a whole.</p> <p><b>Risks</b> Developing a resilient organization capable of empowering diverse human resources with differing sense of values is essential to flexibly adapting to a time of rapid changes.</p>		<ul style="list-style-type: none"> <li>Promote gender diversity through issuance of gender bonds, etc.</li> <li>Contribute to the resolution of issues minorities are now confronting by inviting a U.S.-based securities firm that specializes in financing for veterans, women, African Americans, Hispanics and other minorities to act as an underwriter in the course of issuance of corporate bonds</li> <li>Improve gender diversity among our workforce by, for example, increasing the ratio of women in management in Japan<sup>1</sup></li> <li><sup>1</sup>Ratio of women in line manager or higher positions</li> <li>Help diverse human resources thrive by encouraging eligible male employees to take childcare leave, introducing a same-sex partnership recognition program, hiring people with disabilities and otherwise upgrading our human resources related programs</li> </ul>	 
<b>Developing social infrastructure</b> Page 84	<p><b>Opportunities</b> Robust countermeasures against the aging of infrastructure at home and abroad are key to the creation of sustainable society, as is the construction of social infrastructure, particularly in developing countries.</p> <p><b>Risks</b> For us to maintain trust and reliability as a financial institution and a component of social infrastructure, the proper handling of threats to safety and security is a requisite. It is therefore essential to strengthen security measures safeguarding informational assets and prevent financial crimes that have become ever more complex and sophisticated.</p>		<ul style="list-style-type: none"> <li>Undertake investment in and financing for infrastructure supporting a sustainable society (e.g., basic infrastructure, including public transportation and water supply systems, and essential public service infrastructure, including schools and hospitals)</li> <li>Provide a safe and secure financial infrastructure via the use of a groupwide and cross-regional approach to the prevention of financial crimes and the upgrading of cyber security measures</li> </ul>	  
<b>Supporting industrial development &amp; innovation</b> Page 84	<p><b>Opportunities and risks</b> Offering assistance for the creation of growing industries, which are the drivers of economies, and vibrant venture startups is essential to avoiding economic stagnation and securing sustainable growth. Our financial functions are expected to play an important role as such endeavors require a financier capable of risk-taking.</p>		<ul style="list-style-type: none"> <li>Offer business matching and other services via the utilization of the Group's extensive customer base to help venture startups achieve business growth while assisting large corporations in their business creation efforts</li> <li>Utilize venture capital to undertake equity investment in businesses at the startup stage and otherwise extend business financing based on the verification of companies' growth potential</li> </ul>	 
<b>Ensuring equal access to financial services</b> Page 84	<p><b>Opportunities and risks</b> Providing more customers with opportunities to access financial services and investment not only contributes to improving the growth of economies but also allows for MUFG to secure an even more robust foundation for growth.</p>		<ul style="list-style-type: none"> <li>Supporting industrial development and employment opportunity creation in emerging and developing countries through microfinance</li> <li>Provide low and middle income households with housing loans, including loans subsidized by the government, to expand their opportunities for house ownership</li> <li>Diversify our lineup of trust products incorporating digital security backed by blockchain technologies</li> </ul>	
<b>Promoting workstyle reforms</b> Pages 73 and 85	<p><b>Opportunities and risks</b> On the back of Japan's declining population, businesses are expected to provide their employees with opportunities to embrace flexible workstyles aligned with evolving a sense of values, changes in social structure and the growing need to strike a work-life balance. Fulfilling these expectations provides the baseline for the effective utilization of human resources and achievement of corporate growth and, in light of fallout from COVID-19, has become a matter of even greater importance.</p> <p><b>Opportunities and risks</b> Improving the efficiency of our financial functions, which constitute a part of social infrastructure, will help society as a whole achieve higher productivity while positioning us for greater productivity as well.</p>		<ul style="list-style-type: none"> <li>Facilitate workstyle reforms among our own workforce and customers by updating operational processes through shifting to online procedures</li> <li>Help employees realize flexible workstyles via the use of satellite offices and the expansion of the scope of operations that can be done from home</li> <li>Implement measures to improve employee engagement in a way that heeds such input as the results of the Group Awareness and Engagement Survey</li> </ul>	
<b>Response to poverty</b> Page 85	<p><b>Risks</b> Poverty often results in a variety of other problems posing serious threats to social stability (e.g., public health, hygiene and security) and human rights (e.g., sufficiency in food, clothing and housing) as well as to the formation of a basis for sustainable economic growth (e.g., educational equality).</p>		<ul style="list-style-type: none"> <li>Extend investment and financing to make our stable funding functions available to people in emerging and developing countries and thereby support their household finance and business activities</li> <li>Support underprivileged children, including those in low income households, via donations and other social contribution activities</li> </ul>	
<b>Reduction of educational disparities</b> Page 85	<p><b>Opportunities</b> Those who are now students will shape the next generation and, therefore, constitute the foundation of future society. Among them may also be our potential colleagues. Therefore, supporting them is of great importance.</p> <p><b>Risks</b> Proper education is at the base of social stability and sustainable economic growth. Thus, educational shortfalls can result in a negative heritage of inequality that will be passed down to future generations. The lack of educational opportunity due to economic disadvantage therefore deserves major public attention and needs to be tackled.</p>		<ul style="list-style-type: none"> <li>Engage in social contribution activities such as donations to assist students confronting economic and social hardships in their pursuit of higher education and the maintenance of their livelihoods</li> </ul>	
<b>Overcoming threats to health</b> Page 85	<p><b>Opportunities</b> Innovation in the healthcare sector will contribute to improvement in social and economic resilience.</p> <p><b>Risks</b> The sustainability of economic activities will be largely dependent on the strengthening of capabilities for preventing novel infectious viruses from spreading (via the development of vaccines, etc.) and responsiveness to the pandemic (via the development of medical technologies and institutions) in order to ensure robust social functions in anticipation of the further aging of population.</p>		<ul style="list-style-type: none"> <li>Assist in the development of healthcare-related technologies via the use of a fund and other frameworks for supporting growing businesses (including collaboration with large corporations)</li> <li>Support healthcare-related organizations and the R&amp;D of vaccines by engaging in donations and other social contribution activities</li> </ul>	

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



### Positioning of the "Eleven Transformation Initiatives" under the New MTBP

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

1. Digital Technology	Digital transformation (DX)
2. Sales Channel	
3. Wealth Management	
4. New Model for Wholesale Banking in Japan	Wealth management
5. Real Estate	Merged into business group strategy
6. Asset Management in Japan	Approach of proposing solutions to customer's issues
7. Institutional Investors	Merged into business group strategy
8. Global CIB <sup>1</sup>	GCIB <sup>1</sup> & Global Markets
9. Overseas Operations	Merged into operations of corporate center, etc.
10. Human Resources	
11. Corporate Center Operations	
Expansion of business portfolio (consolidation of Bank Danamon and FSI)	Asia business
	Global AM/IS <sup>2</sup>

<sup>1</sup> Global Corporate & Investment Banking  
<sup>2</sup> Asset Management / Investor Services

### Financial Targets Met, Unmet

Indicators	FY 2012	FY 2013	FY 2014	FY 2014 targets
ROE	8.77%	9.05%	8.74%	Approx. 8%
Expense ratio	57.6%	60.9%	61.1%	Between 55-60%
Net operating profits (customer segments)	Approx. 3% growth	Approx. 21% growth	Approx. 46% growth	20% increase from FY 2011
CET1 capital ratio <sup>1</sup>	11.1%	11.1%	12.3%	9.5% or above

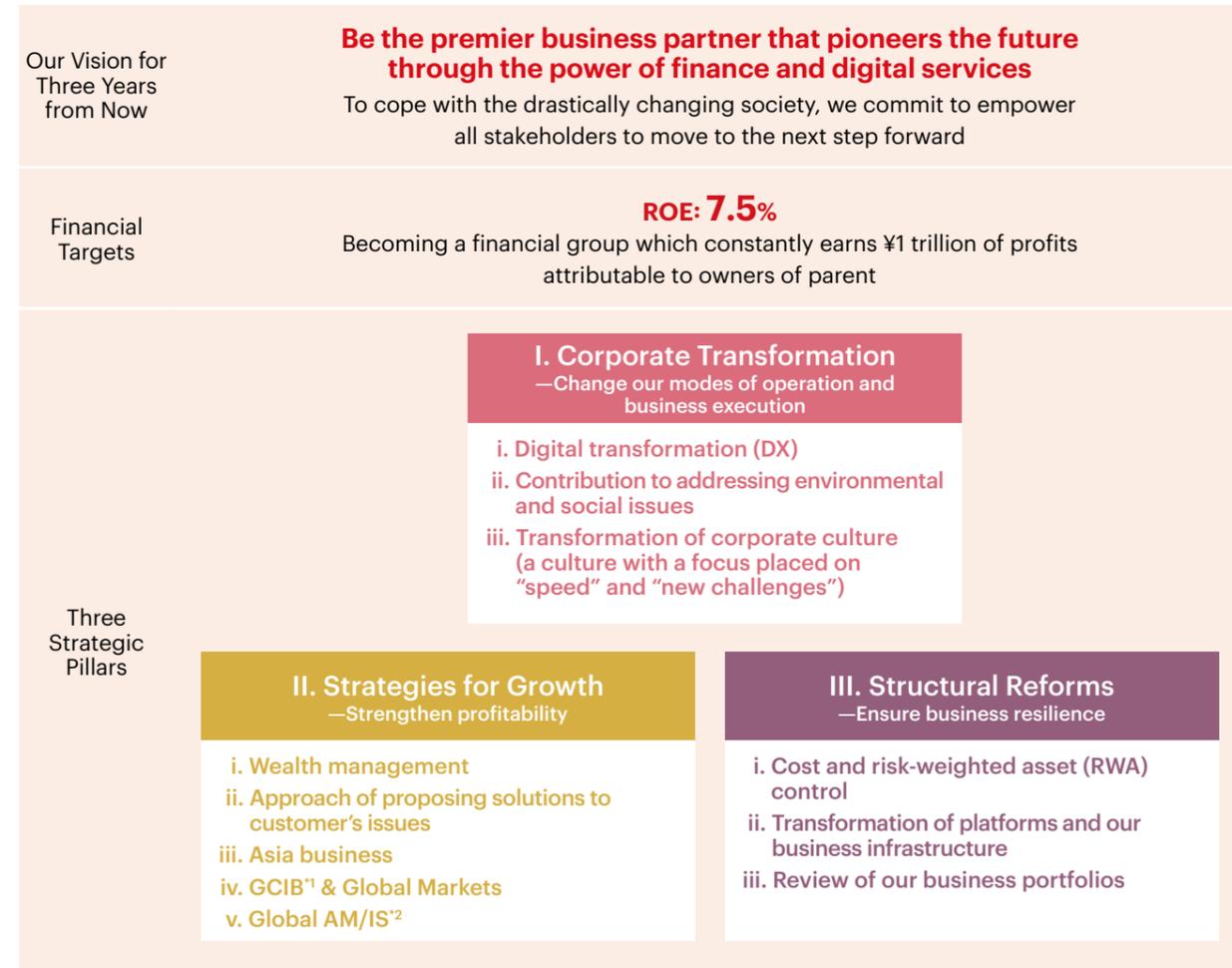
Indicators	FY 2015	FY 2016	FY 2017	FY 2017 targets
ROE	7.63%	7.25%	7.53%	Between 8.5-9.0%
Expense ratio	62.3%	64.6%	68.0%	Approx. 60%
Earnings Per Share (EPS)	¥68.51	¥68.28	¥74.55 (+1.8%)	Increase 15% or more from FY 2014
CET1 capital ratio <sup>1</sup>	12.1%	11.9%	12.5%	9.5% or above

Indicators	FY 2018	FY 2019	FY 2020	FY 2020 targets
ROE	6.45%	3.85%	5.63%	Approx. 7-8%
Expense ratio	71.0%	70.2%	68.7%	Below FY 2017 results
CET1 capital ratio <sup>2</sup>	11.4%	11.7%	11.9%	Approx. 11%

<sup>1</sup> Common Equity Tier 1 capital ratio calculated on the basis of regulations applied at the end of March 2019; including net unrealized gains on available-for-sale securities  
<sup>2</sup> Estimated Common Equity Tier 1 Capital ratio reflecting the RWA increase calculated on the finalized Basel III reforms basis; including net unrealized gains on available-for-sale securities

# Overview of the New Medium-Term Business Plan (MTBP)

## Basic Policy under the New MTBP



<sup>\*1</sup> Global Corporate & Investment Banking  
<sup>\*2</sup> Asset Management / Investor Services

To embody our Purpose, “Committed to empowering a brighter future.” we formulated the new MTBP, which went into force from fiscal 2021. This plan sets forth initiatives to be undertaken by MUFG over the next three years to empower our customers and society as a whole to take the next step forward. Having closely assessed changes now taking place in society, we positioned this period as “three years of new challenges and transformation” so we could achieve significant growth upon the accomplishment of the MTBP. We are striving to develop a business model that will enable MUFG to respond to the rapidly evolving business environment in order to become “the premier business partner that pioneers the future

through the power of finance and digital services” within the next three years.

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

## Key Strategies (Three Strategic Pillars)

	Key Strategies	Overview
Corporate Transformation	<b>i. Digital transformation</b> Pages 53–54 and 67–68	<ul style="list-style-type: none"> <li>Enhance our contact points for digital services for all customers while pushing ahead with digitalizing our products and services</li> <li>Reduce the workload via the use of digital technologies</li> </ul>
	<b>ii. Contribution to addressing environmental and social issues</b> Pages 25–28 and 75–86	<ul style="list-style-type: none"> <li>Step up an integrated approach in which the execution of management strategies goes in tandem with the pursuit of solutions for environmental and social issues. To this end, realign our business strategies, risk management and social contribution initiatives in light of 10 priority issues we have identified</li> </ul>
	<b>iii. Transformation of corporate culture</b> Pages 69–70	<ul style="list-style-type: none"> <li>Encourage employees to always act in line with our Purpose while fostering an open-minded corporate culture, with the aim of speeding up strategic execution and empowering employees to spontaneously take on new challenges</li> </ul>
Strategies for Growth	<b>i. Wealth management</b> Page 56	<ul style="list-style-type: none"> <li>Strengthen the wealth management business via the development of infrastructure for enhancing our comprehensive asset management proposal capabilities, the allocation of human resources and the provision of solutions for business owners</li> </ul>
	<b>ii. Approach of proposing solutions to customer's issues</b> Page 58	<ul style="list-style-type: none"> <li>Help resolve management challenges confronting large Japanese corporate clients via the strengthening of risk-taking capabilities and the use of a groupwide, integrated approach</li> </ul>
	<b>iii. Asia business</b> Page 62	<ul style="list-style-type: none"> <li>Seize growth opportunities in Asia by taking advantage of our broad regional network consisting mainly of Krungsri (Bank of Ayudhya) and Bank Danamon, both of which are consolidated subsidiaries, in addition to promoting digital transformation</li> </ul>
	<b>iv. GCIB &amp; Global Markets</b> Page 60	<ul style="list-style-type: none"> <li>Promote the optimization of our portfolio by, for example, rebalancing the proportion accounted for by the institutional investor business. Also, step up origination &amp; distribution (O&amp;D) and cross-selling approach via the integrated operation of GCIB and Global Markets business groups</li> </ul>
	<b>v. Global AM/IS</b> Page 64	<ul style="list-style-type: none"> <li>Push ahead with our businesses in the global AM/IS field, an industry boasting robust growth potential, in a way that takes full advantage of our strengths</li> </ul>
Structural Reforms	<b>i. Cost and RWA control</b> Pages 37–38	<ul style="list-style-type: none"> <li>Execute necessary investment for growth while thoroughly curbing base expenses</li> <li>Enhance RWA control via replacing low-profitability assets with profitability assets</li> </ul>
	<b>ii. Transformation of platforms and our business infrastructure</b>	<ul style="list-style-type: none"> <li>Carry out efficient and effective investment for the digital shift</li> <li>Simplify procedures and rules to facilitate reforms while reviewing our decision-making process</li> </ul>
	<b>iii. Review of our business portfolios</b> Pages 39, 62 and 66	<ul style="list-style-type: none"> <li>Review resource allocations to low-profitability businesses</li> <li>Step up external collaboration and other initiatives related to new businesses</li> </ul>

## Overview of the New Medium-Term Business Plan (MTBP)

### Financial Strategies

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

As for profits, to achieve net operating profits of ¥1.4 trillion we will strive to solidify our domestic business's revenue base and enhance the resilience of our global business. By doing so, we aim to become a financial group capable of stably earning profits attributable to owners of parent of ¥1 trillion or more. With regard to expenses, we will pursue a reduction in expenses, except for

those linked to revenues, from the fiscal 2020 level. Moreover, we will maintain RWAs at the fiscal 2020 level and, to this end, reshuffle our asset portfolio to raise profitability, further tightening controls on costs and RWAs.

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

### ROE and Capital Management Targets

	FY 2020 results	FY 2023 targets	Medium- to long-term targets
ROE	5.63%	7.5%	9%–10%
CET1 capital ratio (finalized Basel III reforms basis <sup>1</sup> )	9.7%	9.5%–10.0%	

### Three Drivers for Achieving the ROE Target

Profits	Expenses <sup>2</sup>	RWAs
Net operating profits: ¥1.4 trillion Profits attributable to owners of parent: ¥1 trillion or more	Lower than fiscal 2020 level (Excluding expenses linked to revenues)	Maintain a level of the fiscal 2020-end (Improve profitability via asset portfolio reshuffling)

<sup>1</sup> For the details of cost and RWA control, please refer to "Message from the CFO" on pages 37–38.

<sup>2</sup> \*1 Estimated CET1 capital ratio reflecting the RWA increase, as calculated on the finalized Basel III reforms basis; excluding net unrealized gains on available-for-sale securities

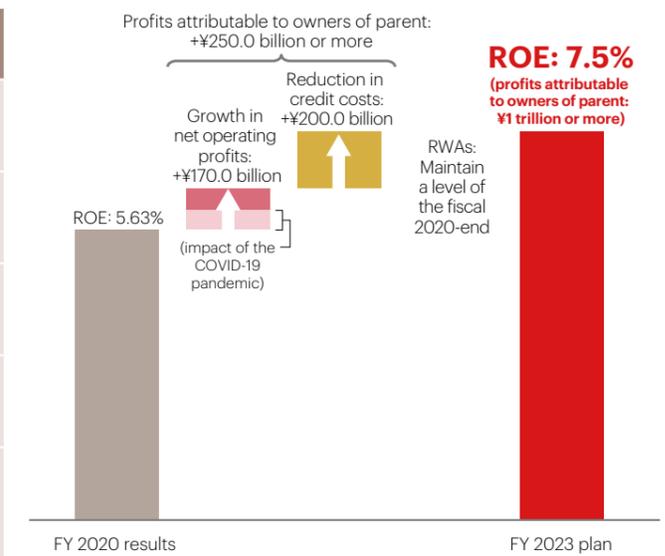
<sup>3</sup> \*2 The medium- to long-term expense ratio target of around 60% is unchanged

### A Roadmap toward Achieving the ROE Target

Along with maintaining our grip on RWAs, we will strive to raise net operating profits while reducing credit costs. Furthermore, we will boost our capabilities to earn profits attributable to owners of

parent in order to stably accomplish our target of ¥1 trillion or more. In these ways, we will achieve our ROE target.

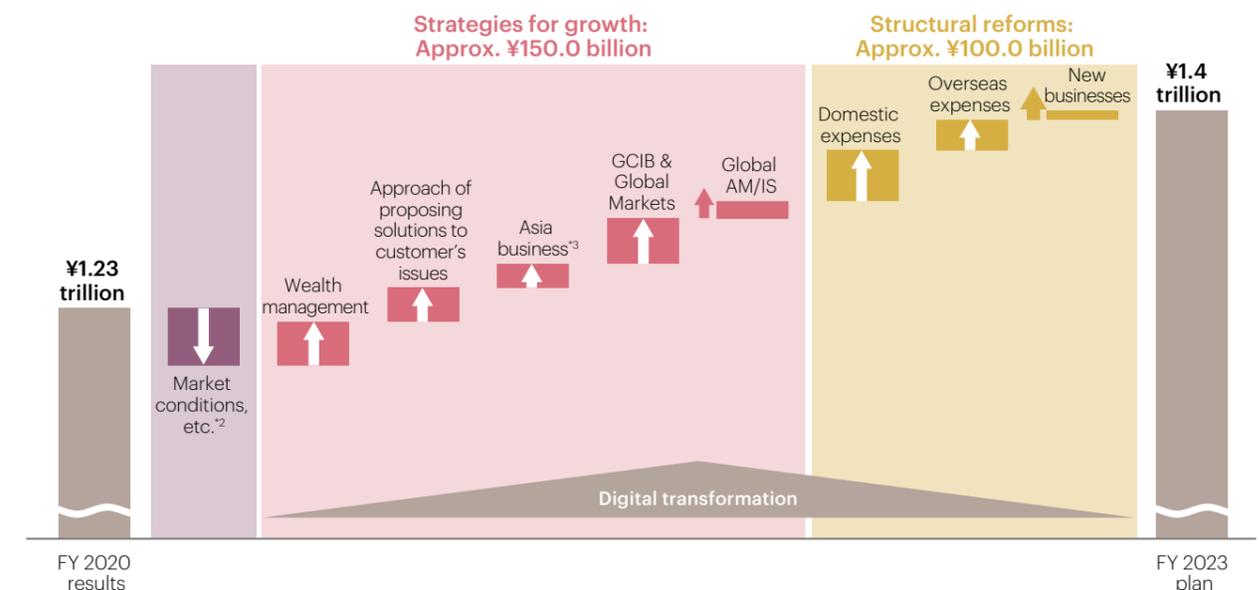
	FY 2023 plan	Change from the FY 2020 level
ROE	7.5%	+1.9%
Net operating profits	¥1.4 trillion	+¥170.0 billion
Credit costs	-¥0.3 trillion	+¥200.0 billion
Profits attributable to owners of parent	¥1 trillion or more	+¥250.0 billion or more
RWAs	Maintain a level of the fiscal 2020-end (Improve profitability via asset portfolio reshuffling)	



### Our Plan for Net Operating Profits<sup>1</sup>

Despite the negative impact of market conditions and other factors, we will aim for net operating profits of ¥1.4 trillion in fiscal 2023 by increasing ¥150.0 billion in profits from strategies for

growth and ¥100.0 billion from cost reductions and other structural reform initiatives.



<sup>1</sup> \*1 Managerial accounting basis. Local currency basis. <sup>2</sup> \*2 Includes impact of CVA related profits/losses, impact of policy rate cut in Asia etc.

<sup>3</sup> \*3 FY2023 plan versus FY2021 plan. Estimated decrease in net operating profits during FY2021 is included in impact of market conditions, etc.

## Message from the CFO



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

**Tetsuya Yonehana**  
Group CFO

### Review of Operating Results

#### Fiscal 2020 Results Overview

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

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

#### Consolidated Income Statement Summary

(Billions of yen)	FY 2019	FY 2020	Change
1 Gross profits	3,986.3	<b>3,997.9</b>	11.6
2 G&A expenses	2,801.8	<b>2,749.4</b>	(52.3)
<b>3 Net operating profits</b>	1,184.4	<b>1,248.4</b>	63.9
4 Expense ratio	70.2%	<b>68.7%</b>	(1.5%)
5 Total credit costs	(222.9)	<b>(515.5)</b>	(292.5)
<b>6 Ordinary profits</b>	1,235.7	<b>1,053.6</b>	(182.1)
7 Profits attributable to owners of parent	528.1	<b>777.0</b>	248.8
8 Dividends per share (yen)	25.0	<b>25.0</b>	—
<b>9 CET1 capital ratio<sup>*1</sup></b>	11.7%	<b>11.9%</b>	0.2%

<sup>\*1</sup> Common Equity Tier 1 capital ratio on the finalized Basel III reforms basis. Estimated ratio reflecting the RWA increase calculated on the finalized Basel III reforms basis

#### Review of the Previous MTBP

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

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

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

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

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

Having thus made progress in the development of business platforms for future growth, we have also reviewed existing investments to free up our capital resources. This review led us to decide on the divestment of our shares in Standard Life Aberdeen, Dah Sing Financial Holdings and AMP Capital (worth approximately ¥100.0 billion in total). We have also divested equity holdings totaling ¥750.0 billion on a fair value basis. With regard to shareholder returns, we paid a total of approximately ¥930.0 billion in dividends and expended a total of ¥200.0 billion in share repurchases over the course of the three years. With the sum of these shareholder returns amounting to approximately ¥1,130.0 billion, the total shareholder return ratio stood at approximately 52%. Looking ahead, we will strive to enhance shareholder value and, to this end, strike a balance between strategic investments for sustainable growth and the further enhancement of shareholder returns in the course of capital management.

### Business Planning and Financial Management

#### Financial Targets under the New MTBP

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

#### New MTBP Financial Targets

	FY2020 results	FY 2023 targets	Medium- to long-term targets
<b>ROE</b>	5.63%	7.5%	9%–10%
<b>CET1 capital ratio (finalized Basel III reforms basis)<sup>*1</sup></b>	9.7%	9.5%–10.0%	

<sup>\*1</sup> Estimated ratio reflecting the RWA increase calculated on the finalized Basel III reforms basis. Excluding net unrealized gains on available-for-sale securities

Message from the CFO

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

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

**Strategies for Growth—Raising Profitability**

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

For more details, please refer to page 32.

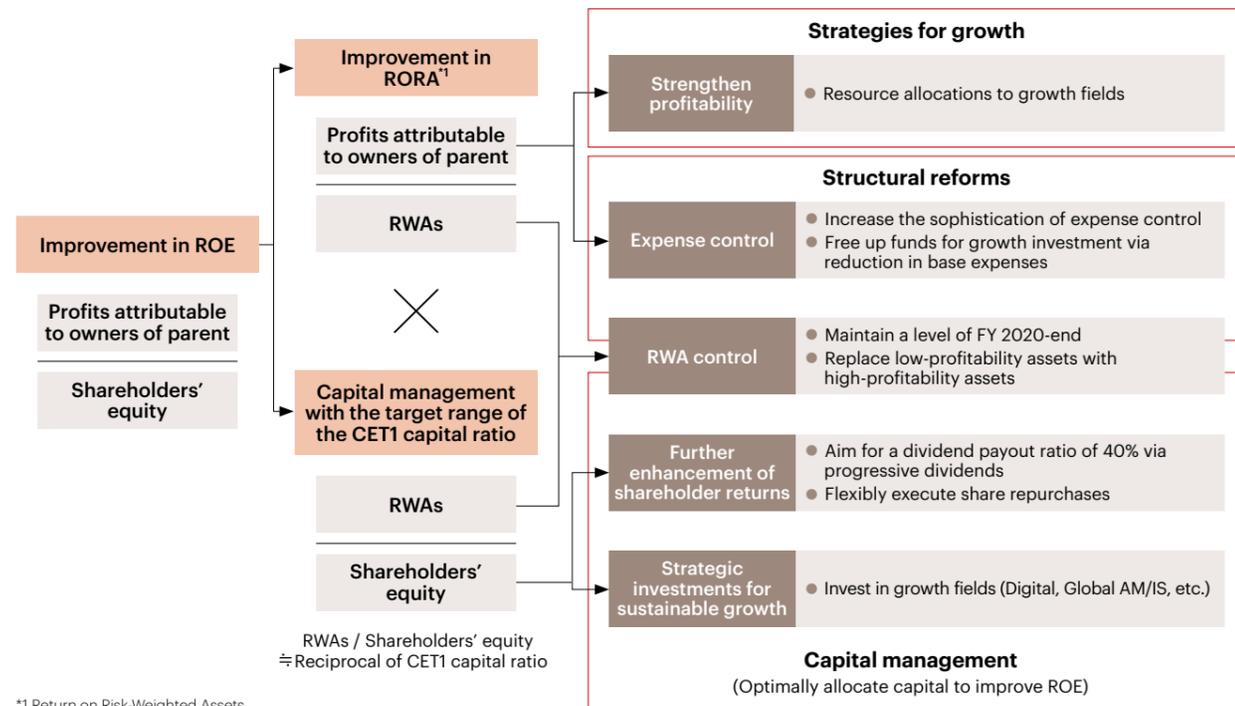
\*1 Investor Services

**Structural Reforms—Expense Control**

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

In line with the new MTBP, we aim to take a more disciplined approach to expense control. To this end, we have classified expenses into three categories: (1) expenses for business growth; (2) expenses linked to revenues; and (3) all other expenses, collectively, "base expenses." We will closely control these items

**Breakdown of ROE Improving Factors (Logic Tree)**



\*1 Return on Risk-Weighted Assets

via a PDCA cycle. Specifically, with the aim of curbing overall expenses, we will pursue reductions in base expenses at home and abroad to free up funds to cover expenses deemed essential to securing growth. (See the diagram below.) Moreover, expenses for growth will be narrowly focused on particular areas in business fields subject to our strategies for growth, such as wealth management, Asia business and Global AM/IS. In addition, we will review our resource allocation plans, even those aimed at funding expenses for growth, on an as necessary basis in light of the status of progress in business operations. As such, we will exercise disciplined expense control on a global basis.

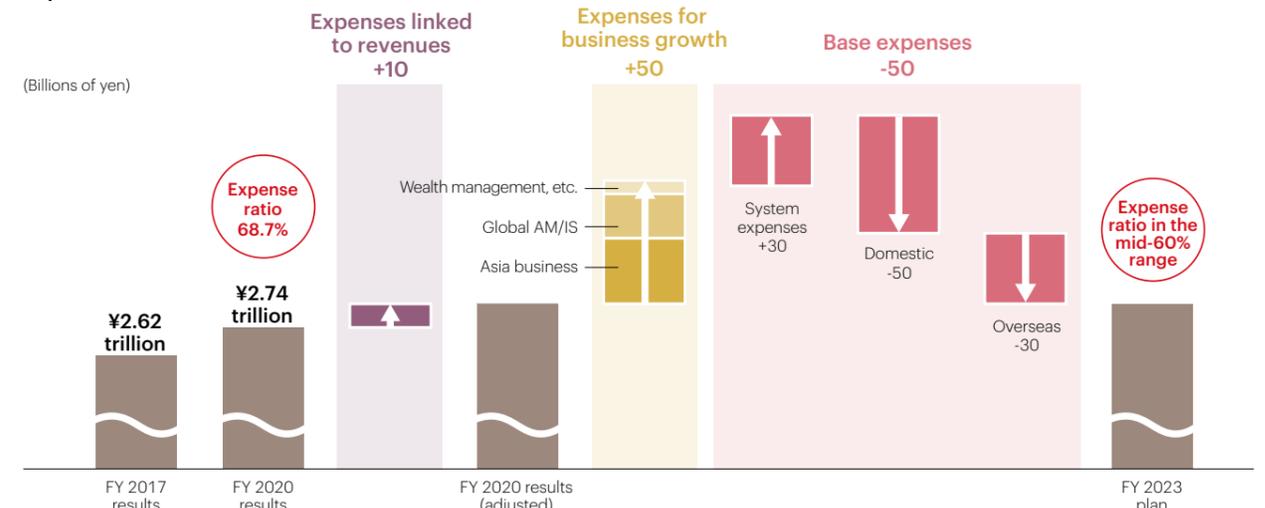
Under the previous MTBP, we had defined the expense ratio as a key financial target. However, under the new MTBP, we intend to focus on controlling the volume of expenses as explained above. We expect these endeavors to enable us to curb the expense ratio to the mid-60% range in fiscal 2023.

**Structural Reforms—RWA Control**

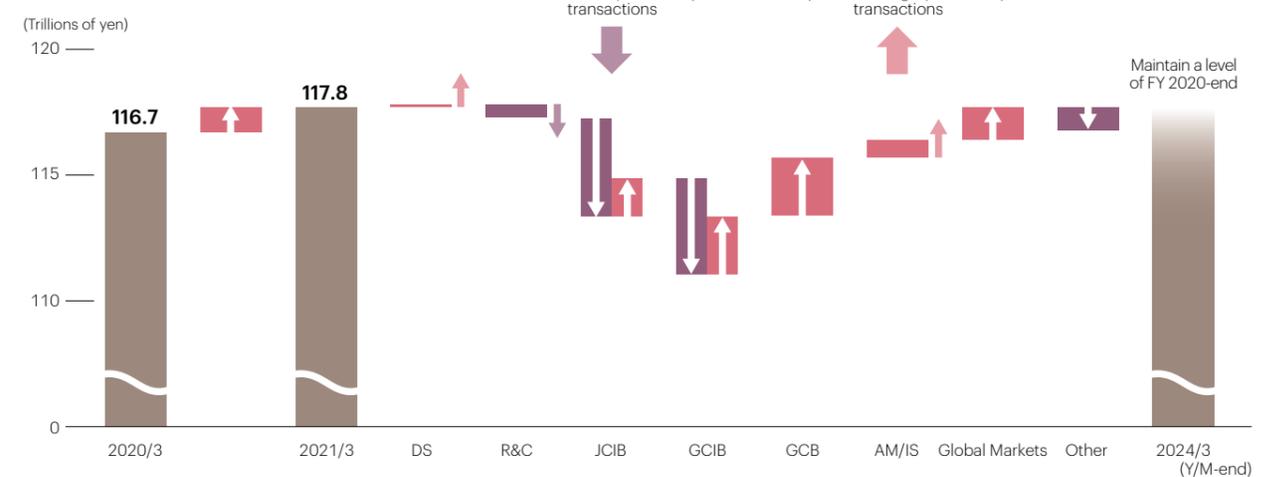
To improve ROE, we aim for the maximization of profits (e.g. lending revenues and fee income) on RWAs while controlling the overall volume of RWAs. This means expanding the numerator in ROE calculation in addition to controlling capital, the denominator.

Under the new MTBP, we will step up those of the above initiatives that have proven successful so far, with each business group strengthening its focus on improving its own ROE. With regard to our lending assets at home and abroad, we will push ahead with the replacement of low-profitability assets with high-profitability assets in an effort to expand profits over the three-year period based on maintaining the current RWA level.

**Expense Control**



**RWA Control**



Message from the CFO

**Business Portfolio**

To date, MUFG has taken a “portfolio approach” to business management. This allows us to optimally combine operations with different profiles in terms of risk and return. In doing so, we strive to secure a stable profit stream, maintain financial soundness and enhance ROE. Under the previous MTBP, we invested in Bank Danamon and FSI in line with this approach, thereby securing an extensive business portfolio—a unique asset unmatched by no other domestic megabank—that provides us with access to diverse profit sources. We believe that this diverse business portfolio also served as a key factor helping us succeed in incorporating earnings from robust U.S. investment banking business in fiscal 2020 into our consolidated results via investment in Morgan Stanley.

For more details, please refer to pages 19–20.

We have positioned the three years under the new MTBP as a period for making this portfolio even more profitable and resilient. At the same time, we will remain open to undertaking strategic investment as it constitutes an essential method for securing sustainable growth and improving corporate value and, therefore,

we continue to consider such investment in Digital, Global AM/IS and other growth fields. However, we have no intention to execute major investments like those undertaken in the course of the previous MTBP period. In this regard, we have entered a new phase of securing returns from investments executed to date to build up our portfolio. Moreover, we will also review existing strategic investments where necessary while considering the optimization of our global network and the execution of business reforms in our Americas and European operations.

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

**Capital Management**

**Basic Policy**

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

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

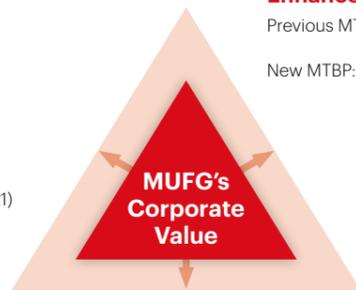
**Maintenance of Solid Equity Capital—Establishment of Target Range for the CET1 Capital Ratio**

Under the new MTBP, we have set a target range for the CET1 capital ratio, which indicates financial soundness, at 9.5% to 10.0% (finalized Basel III reforms basis; excluding net unrealized gains of available-for-sale securities). Our capital management will entail a disciplined approach focused on maintaining the CET1 capital ratio within this range. Based on a CET1 capital ratio of 8.5% as stipulated by minimum regulatory requirements applied to MUFG, this target range was determined by taking into account such factors as the results of the multifaceted verification of the necessary stress buffer and the level of capital required of a financial institution deserving of the “A” rating—our target rating—granted by external rating agencies. With a CET1 capital ratio of 9.5% defined as the bottom line, we have thus set the target range with a breadth of 0.5%.

**Capital Triangle**

**Maintain solid equity capital**

Previous MTBP: CET1 capital ratio<sup>2</sup> 9.7% (as of March 31, 2021)  
 CET1 capital ratio<sup>2</sup>  
 New MTBP: Maintain a ratio within the 9.5%-10.0% range



**Enhance further shareholder returns**

Previous MTBP: Ratio of accumulated profits returned to shareholders<sup>1</sup> Approximately 40%  
 New MTBP: Maintain progressive dividends while flexibly considering share repurchases

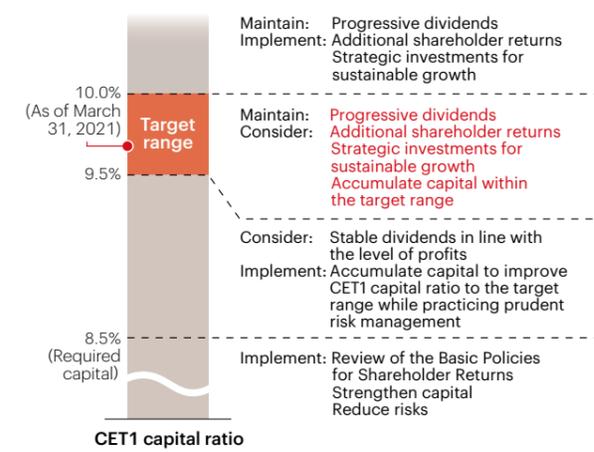
**Strategic investments for sustainable growth**

Previous MTBP: Invested in BDI, FSI, etc.  
 New MTBP: Continue to consider new investment in Digital and Global AM/IS while focusing on capturing returns in existing investments

<sup>1</sup> Accumulated profits attributable to owners of the parent before impairment and other deductions  
<sup>2</sup> Estimated ratio reflecting the RWA increase calculated on the finalized Basel III reforms basis. Excluding net unrealized gains on available-for-sale securities

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

**Management of the CET1 Capital Ratio within the Target Range (finalized Basel III reforms basis; excluding net unrealized gains on available-for-sale securities)<sup>1</sup>**



<sup>1</sup> Estimated ratio reflecting the RWA increase calculated on the finalized Basel III reforms basis. Excluding net unrealized gains on available-for-sale securities

**Further Enhancement of Shareholder Returns**

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

In line with our Basic Policies for Shareholder Returns, (1) MUFG has positioned share dividends as the primary means for shareholder returns while aiming for stable and sustainable increases in dividends per share through profit growth. By the end of fiscal 2023, we will thus aim to progressively raise the dividend payout ratio to 40%. At the same time, (2) MUFG has taken a flexible stance toward executing share repurchases in a way that gives due consideration to performance progress / forecast and capital situation, strategic investment opportunities and the market environment, including share prices, as share repurchases constitute a shareholder return measure contributing to improvement in capital efficiency. Lastly, (3) MUFG will cancel treasury shares in excess of approximately 5% of the total number of issued shares.

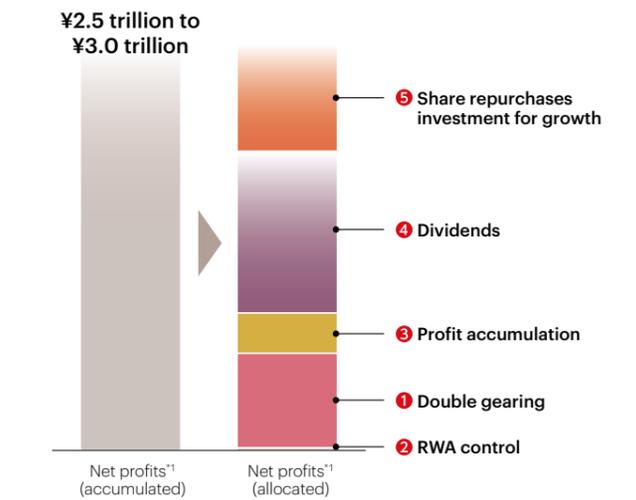
Our capital allocation plans for the three years under the new MTBP are as outlined in the diagram on the right. We will appropriately allocate profits attributable to owners of parent earned during the course of the new MTBP period to improve

MUFG’s corporate value as well as to enhance shareholder value.

With regard to dividends, we aim to progressively raise our dividend payout ratio to 40% over the course of the period leading up to the end of fiscal 2023, premised on achieving profits attributable to owners of parent of ¥1 trillion or more in line with our fiscal 2023 target. Taking these factors into account, our dividend forecast for fiscal 2021 consists of a full-year dividend of ¥27 per share, an increase of ¥2 per share from the previous fiscal year.

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

**Capital Allocations during the New MTBP Period**



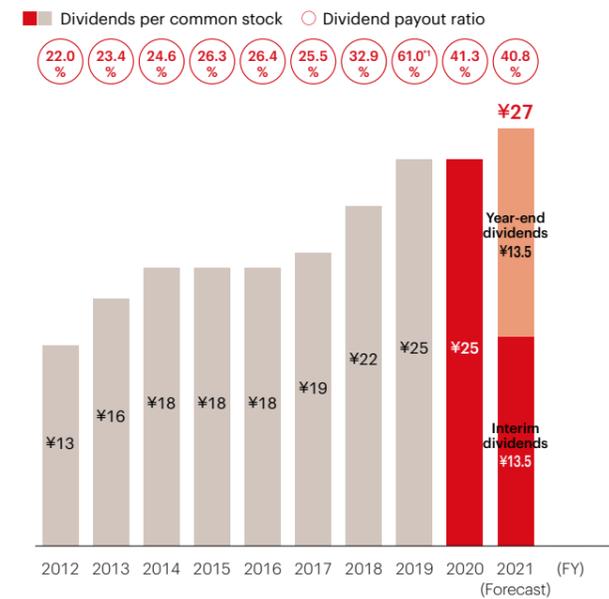
- 1 End of the recording of mandatory capital allowance due to the expiration of regulatory exemption regarding investment in MS (fiscal 2022)
- 2 Maintain a level of the fiscal 2020-end (improve profitability via replacing asset portfolio)
- 3 Accumulate profits within the target range in light of the latest outlook on the operating environment

- 4 Progressively increase dividends, with a dividend payout ratio target of 40%
- 5 Leverage capital surplus as an additional fund for shareholder returns and growth investments

<sup>1</sup> Profits attributable to owners of parent

## Message from the CFO

### Results and Forecasts of Dividends per Common Stock

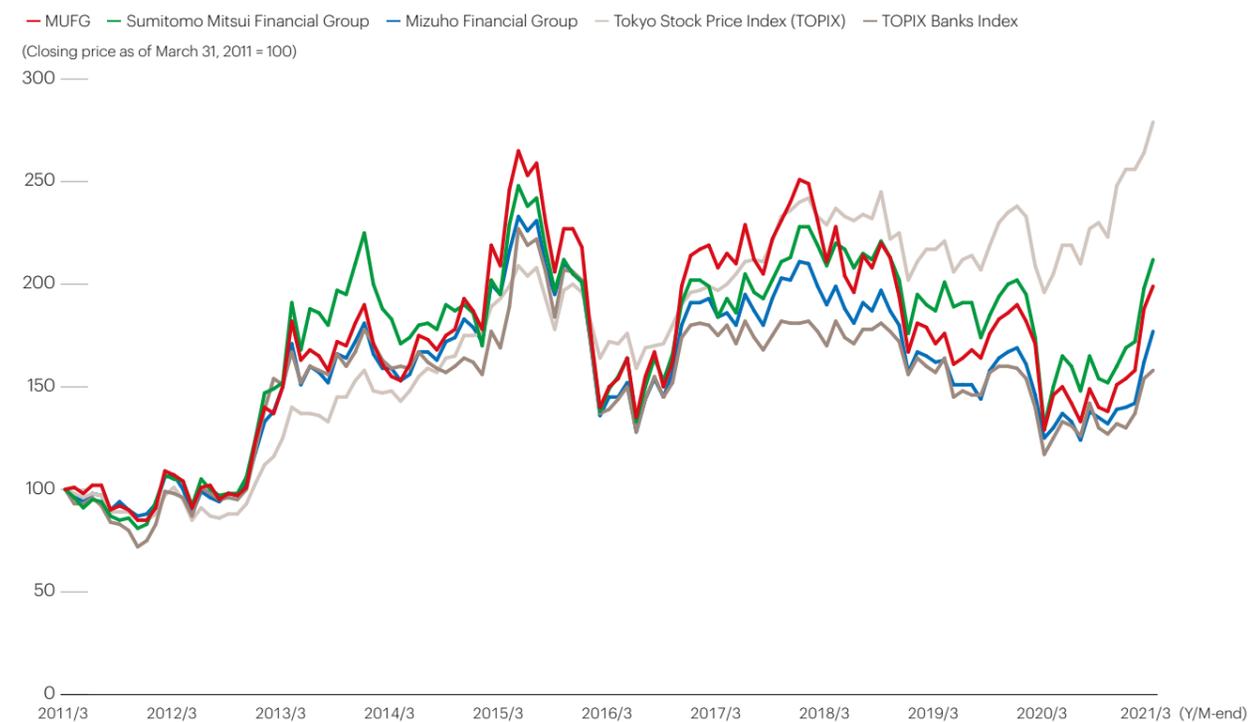


### Enhancement of Stock Price and Shareholder Value

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

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

### Trend in Total Shareholder Return (TSR)<sup>1, 2</sup>



Source: Bloomberg  
<sup>1</sup> An amount equivalent to dividends paid for the year by each company is reinvested as of the business day following March 31 of each year  
<sup>2</sup> TOPIX and TOPIX Banks Index include the amount of dividends

### Divestment of Equity Holdings

In line with our basic policy of reducing equity holdings, we have divested such holdings by an amount equivalent to ¥870.0 billion (on an acquisition-cost basis), far in excess of our target of ¥800.0 billion, over the six years from fiscal 2015 to fiscal 2020. We aim to divest such holdings worth ¥300.0 billion or more during the course of three years of the new MTBP.

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

### Initiatives to Address Environmental and Social Issues

MUFG's commitment to addressing environmental and social issues is reflected in its financial and capital management.

Our fiscal 2020 achievements in this light included having become the first in Japan to issue Sustainability Bonds to finance such initiatives as countermeasures against COVID-19 in June 2020. We also became the first in the world to issue similar Sustainability Bonds for individual investors in September 2020.

Furthermore, in the same month we invited a so-called D&I firms (financial institutions with characteristics for minority issues) to act as one of underwriting securities firms in the course of the issuance of USD-denominated corporate bonds. In these ways, we are aligning our financial strategies with projects aimed at contributing to environmental and social sustainability in addition to promoting the general public's understanding of diversity.

### Compliance with Tax Regulations and Tax Planning

MUFG recognizes that as a corporate citizen, putting its best efforts into making appropriate tax payments is an important duty. Accordingly, we are committed to complying with laws and regulations enforced in countries and regions in which we operate and fulfilling our tax obligations in a fair and appropriate manner.

With this in mind, MUFG strives to enhance corporate governance with regard to tax compliance and to maintain and enhance tax

compliance awareness via employee education and training, among other means. Through these initiatives, we aim to ensure compliance with the letter and spirit of tax legislation, the BEPS Action Plan, OECD Transfer Pricing Guidelines, and other international rules on taxation. Simultaneously, we endeavor to optimize tax expenses by utilizing tax breaks available in the course of regular business activities and by preventing double taxation.

### Dialogue with Shareholders and Other Stakeholders

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

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

Dialogue with our stakeholders, including shareholders, investors and ratings agency representatives often provides valuable

opportunities and insights. Going forward, we will focus on maintaining such dialogue, stepping up both investor relations (IR) and shareholder relations (SR) engagement with those charged with exercising voting rights.

Stakeholder opinions are shared among Board members and given due consideration in the course of business operations and capital management. We always welcome frank opinions about MUFG.

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

# Financial Review for Fiscal 2020

## Consolidated Income Statement Summary

### Consolidated Net Operating Profits

Consolidated gross profits for the fiscal year ended March 31, 2021 increased ¥11.6 billion from the previous fiscal year. This was mainly due to the positive effect of employees becoming adept at alternative sales approaches in their efforts to counter the COVID-19 pandemic's fallout and, despite the negative impact of the pandemic on profit, growing revenue reflecting the consolidation of overseas subsidiaries.

General and administrative expenses decreased by ¥52.3 billion from the previous fiscal year, despite the consolidation of overseas subsidiaries and the resulting increase in expenses, due to ongoing and tight control on expenses associated with domestic and overseas operations.

As a result, consolidated net operating profits rose by ¥63.9 billion (5%) from the previous fiscal year.

### Credit Costs

Total credit costs for the fiscal year ended March 31, 2021 increased by ¥292.5 billion from the previous fiscal year, mainly due to a global trend toward growing credit risks on the back of the COVID-19 pandemic and the impact of new accounting standards adopted by overseas subsidiaries.

### Net Gains (Losses) on Equity Securities

Net gains on equity securities increased ¥98.9 billion from the previous fiscal year, reflecting a rise in stock market conditions.

Equity in earnings of equity method investees was up ¥44.5 billion from the previous fiscal year, thanks primarily to the contribution of Morgan Stanley.

As a result, ordinary profits decreased by ¥182.1 billion from the previous fiscal year.

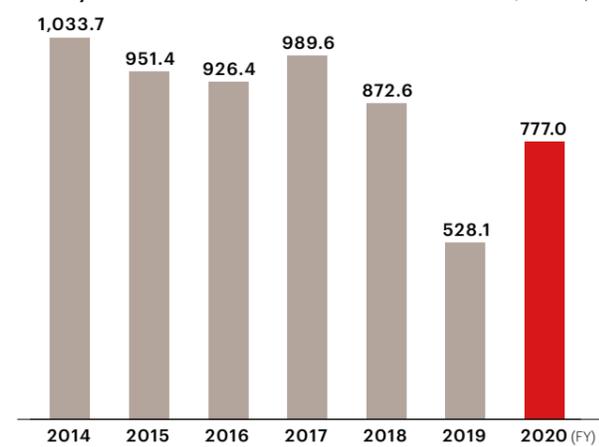
### Profits Attributable to Owners of Parent

Net extraordinary losses amounted to ¥11.5 billion, an improvement of ¥394.7 billion from the previous fiscal year due to the absence of an extraordinary loss recorded in said fiscal year in connection with the one-time amortization of goodwill associated with investees.

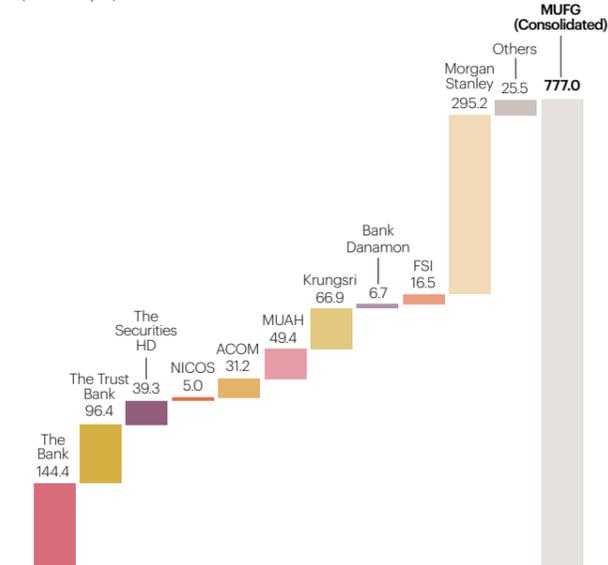
Tax expenses decreased by ¥35.8 billion.

As a result, profits attributable to owners of parent increased by ¥248.8 billion to ¥777.0 billion.

History of Profits Attributable to Owners of Parent (Billions of yen)



Breakdown of Profits Attributable to Owners of Parent\*1 (Billions of yen)



\*1 The figures reflect the percentage holding in each subsidiary and equity method investee

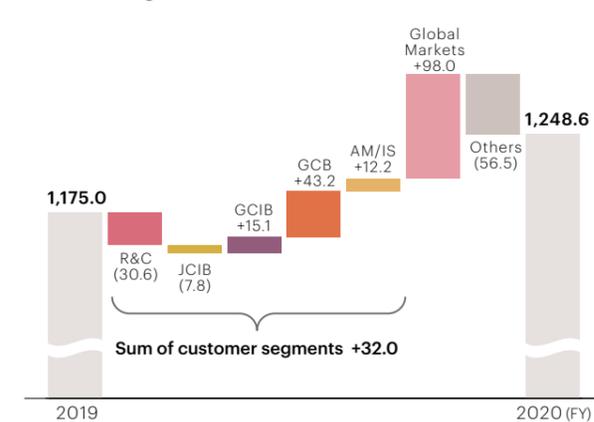
Consolidated Income Statement Summary (Billions of yen)

	FY 2019	FY 2020	YoY
1 Gross profits (before credit costs for trust accounts)	3,986.3	3,997.9	11.6
2 G&A expenses	2,801.8	2,749.4	(52.3)
3 Net operating profits	1,184.4	1,248.4	63.9
4 Total credit costs	(222.9)	(515.5)	(292.5)
5 Net gains (losses) on equity securities	31.3	130.2	98.9
6 Equity in earnings of equity method investees	277.2	321.7	44.5
7 Other non-recurring gains (losses)	(34.2)	(131.3)	(97.0)
8 Ordinary profits	1,235.7	1,053.6	(182.1)
9 Net extraordinary gains (losses)	(406.3)	(11.5)	394.7
10 Total of income taxes-current and income taxes-deferred	(220.8)	(185.0)	35.8
11 Profits attributable to owners of parent	528.1	777.0	248.8

### Performance by Business Group

R&C and JCIB saw decreases in net operating profits\*1 due primarily to a decline in the volume of transactions in the face of the COVID-19 pandemic and the negative impact of lower U.S. interest rates on profit. However, the other three customer segments achieved growth in net operating profits. As a result, overall net operating profits from customer segments increased by ¥32.0 billion, maintaining the upward trend seen in the previous fiscal year. Moreover, net operating profits from Global Markets increased significantly mainly due to higher profits in treasury business that employed flexible portfolio management, contributing to an ever higher consolidated total that built on growth in net operating profits recorded in the previous fiscal year.

### Breakdown of Changes in Net Operating Profits by Business Segment (Billions of yen)



\*1 Please also refer to pages 51-52 for a summary of operating results by business group.

\*1 Net operating profits by business segment, calculated for internal managerial accounting purposes

### Fiscal 2021 Financial Targets

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

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

Financial Impact of the COVID-19 Pandemic (fiscal 2020)\*1 (Billions of yen)

MUFG (Consolidated)	Estimate at the beginning of the year	Results	Differences	Main fluctuating factors
1 Net operating profits (Before credit costs for trust accounts and provision for general allowance for credit losses)	(300.0)	(100.0)	+200.0	<ul style="list-style-type: none"> <li>Upturns in the balance of non-JPY deposits and the performance of overseas securities businesses</li> <li>Incorporation of fees and commissions from deals associated with domestic and foreign settlement, forex, asset management and real estate thanks to the effect of employees becoming adept at the establishment of sales activities in the effort under the pandemic</li> <li>Acceleration of cost reduction initiatives</li> </ul>
2 Total credit costs	(200.0)	(250.0)	(50.0)	<ul style="list-style-type: none"> <li>Additional posting of credit costs under CECL<sup>2</sup></li> <li>Posting of allowance in light of uncertain future outlook on the economic environment</li> </ul>
3 Ordinary profits	(600.0)	(430.0)	+170.0	<ul style="list-style-type: none"> <li>In addition to the above factors, upturns in net gains on equity securities and equity in earnings of equity method investees</li> </ul>
4 Profits attributable to owners of parent	(420.0)	(300.0)	+120.0	

\*1 Based on an approximation of the pandemic's financial impact on main items calculated through comparison with an estimated level of profits before income taxes assuming a scenario in which COVID-19 did not emerge. Includes the effect of measures undertaken by MUFG to adapt to changes in the business environment under the pandemic's influence. Profits attributable to owners of parent are based on approximate calculation, with the applicable tax ratio set at 30%.

\*2 Current Expected Credit Losses based on the U.S. Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-13

Financial Review for Fiscal 2020

Consolidated Balance Sheet Summary

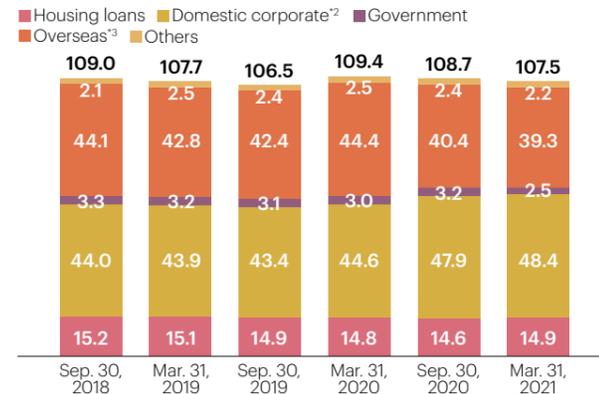
Loans / Deposits

Loans totaled ¥107.5 trillion, a slight decrease from March 31, 2020. Domestic individual deposits, domestic corporate deposits and overseas branch deposits increased by ¥5.5 trillion, ¥13.1 trillion and ¥5.1 trillion, respectively, with the overall deposit balance amounting to ¥211.5 trillion.

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

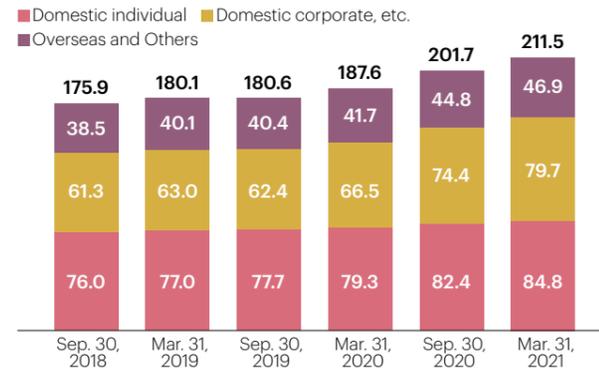
The volume of risk-monitored loans increased from the previous fiscal year for both domestic and overseas loans. However, the non-performing loan (NPL) ratio—the ratio of risk-monitored loans to total loans—remained low at around 1%.

Loans (Period-end balance)<sup>1</sup> (Trillions of yen)



<sup>1</sup> Sum of banking and trust accounts  
<sup>2</sup> Excluding loans to government and governmental institutions and including foreign currency-denominated loans  
<sup>3</sup> Loans booked in overseas branches, MUAH, Krungsri, Bank Danamon, the Bank (China), the Bank (Malaysia) and the Bank (Europe)

Deposits (Period-end balance) (Trillions of yen)



Available-for-sale Securities with Fair Value (Billions of Yen)

	Balance as of Mar. 31, 2021		Unrealized gains (losses) as of Mar. 31, 2021	
	Balance	Changes from Mar. 31, 2020	Balance	Changes from Mar. 31, 2020
<b>Total</b>	<b>73,892.0</b>	<b>11,740.8</b>	<b>3,749.9</b>	<b>861.2</b>
Domestic equity securities	5,216.3	1,075.0	3,350.5	1,210.5
Domestic bonds	40,552.2	13,079.1	122.5	(48.8)
Japanese government bonds	32,344.7	11,701.6	86.9	(36.9)
Others	28,123.3	(2,413.3)	276.8	(300.3)
Foreign equity securities	86.0	6.5	21.1	8.4
Foreign bonds	21,236.6	(3,265.7)	103.0	(635.1)
Others	6,800.6	845.8	152.7	326.3

Investment Securities

The balance of available-for-sale securities increased by ¥11.7 trillion due to such factors as a ¥13.0 trillion increase to reflect growing emphasis placed on domestic bond positions.

Net unrealized gains on available-for-sale securities remained robust at a little under ¥4 trillion. Despite a ¥635.1 billion decrease in net unrealized gains on foreign bonds, net unrealized gains on domestic equity securities improved significantly by ¥1.2 trillion backed by an upturn in stock market conditions.

As of March 31, 2021, net unrealized gains on domestic bonds and foreign bonds amounted to approximately ¥122.5 billion and ¥103.0 billion, respectively. Looking ahead, we will undertake a certain degree of hedging against deterioration in net unrealized gains on these instruments in step with the possible rise in interest rates. At the same time, we will invest in such asset classes as equity securities other than bonds, placing greater emphasis on overall asset allocation to pursue flexible treasury operations.

Capital

Total Capital

Common Equity Tier 1 capital increased by ¥405.3 billion from March 31, 2020, due mainly to the accumulation of profit and an increase in accumulated other comprehensive income.

While Tier 2 capital increased by ¥30.5 billion from the previous fiscal year-end, total capital rose by ¥389.9 billion to ¥18,669.5 billion.

Risk Weighted Assets (RWA)

Although credit-related RWA increased, RWA decreased by ¥716.2 billion from March 31, 2020, reflecting a decline in floor adjustments.

Capital Adequacy

The Common Equity Tier 1 capital ratio, the most important indicator representing the capital adequacy of financial institutions, stood at 12.33%. On an estimated basis reflecting the RWA increase calculated on the finalized Basel III reforms basis, the Common Equity Tier 1 capital ratio amounted to 11.9%, suggesting sufficient capital adequacy.

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

Capital Adequacy (Billions of yen)

	Mar. 31, 2020	Mar. 31, 2021	Changes from Mar. 31, 2020
<b>Common Equity Tier 1 capital ratio</b>	<b>11.90%</b>	<b>12.33%</b>	<b>0.42%</b>
<b>Tier 1 capital ratio</b>	<b>13.56%</b>	<b>13.96%</b>	<b>0.39%</b>
<b>Total capital ratio</b>	<b>15.87%</b>	<b>16.31%</b>	<b>0.44%</b>
<b>Leverage ratio</b>	<b>4.42%</b>	<b>5.45%</b>	<b>1.03%</b>
Common Equity Tier 1 capital	13,708.3	14,113.7	405.3
Retained earnings	10,855.7	11,200.0	344.2
Other comprehensive income	2,518.9	2,986.4	467.5
Regulatory adjustments	(2,329.7)	(2,754.4)	(424.7)
Additional Tier 1 capital	1,914.9	1,869.0	(45.9)
Preferred securities and subordinated debt	1,764.1	1,744.1	(20.0)
<b>Tier 1 capital</b>	<b>15,623.3</b>	<b>15,982.7</b>	<b>359.4</b>
<b>Tier 2 capital</b>	<b>2,656.2</b>	<b>2,686.7</b>	<b>30.5</b>
Subordinated debt	2,303.6	2,206.5	(97.0)
<b>Total capital (Tier 1+Tier 2)</b>	<b>18,279.5</b>	<b>18,669.5</b>	<b>389.9</b>
<b>Risk weighted assets</b>	<b>115,135.6</b>	<b>114,419.3</b>	<b>(716.2)</b>
Credit risk	88,791.7	90,410.0	1,618.2
Market risk	3,150.7	4,066.8	916.0
Operational risk	8,269.2	7,976.6	(292.6)
Floor adjustments <sup>1</sup>	14,923.8	11,965.8	(2,957.9)
<b>Total exposure<sup>2</sup></b>	<b>353,117.5</b>	<b>292,725.0</b>	<b>(60,392.4)</b>

<sup>1</sup> Adjustments made for the difference between RWA under Basel I and Basel III  
<sup>2</sup> Based on JFSA notification, deposits with the Bank of Japan is excluded in total exposures as of the end of March 2021

TLAC Ratio

MUFG is subject to the TLAC regulations introduced on March 31, 2019.

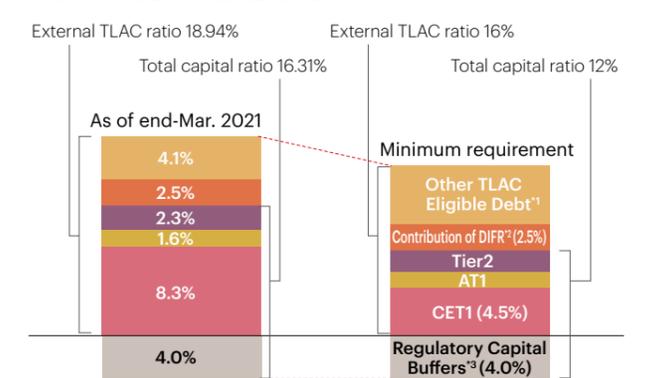
These regulations require G-SIBs to retain sufficient loss-absorbing and recapitalization capacity available in resolution (TLAC-eligible senior debt).

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

In fiscal 2020, MUFG raised approximately ¥800.0 billion in external TLAC capital by issuing TLAC-eligible senior bonds worth approximately ¥500.0 billion, as well as perpetual subordinated debt and dated subordinated debt totaling approximately ¥300.0 billion.

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

RWA-based External TLAC Ratio



<sup>1</sup> Including adjustment of the difference between the calculation method of the total capital ratio and the external TLAC ratio, and adjustment of the amount of other TLAC-eligible liabilities owned by the issuer's group, etc.  
<sup>2</sup> Contribution of Deposit Insurance Fund Reserves: Japanese Deposit Insurance Fund Reserves fulfill the requirements for making ex-ante commitments to recapitalize as a G-SIB as per a resolution set out in the FSB's TLAC termsheet (can include 2.5% of RWAs during a period from end-March 2019 to end-March 2022 and 3.5% of RWAs thereafter, respectively, in the external TLAC ratio)  
<sup>3</sup> CET1 Buffer applicable to MUFG: G-SIB Surcharge: 1.5%, Capital Conservation Buffer: 2.5%, and Counter-cyclical Buffer: 0%

## Eleven-Year Summary of Major Financial Data

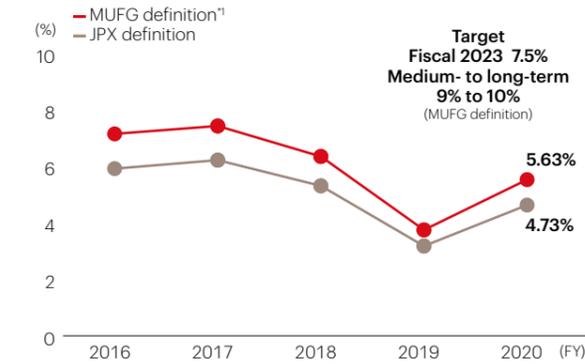
(Billions of Yen)

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Currency exchange rate (USD/JPY) (yen)	83.15	82.19	94.05	102.92	120.17	112.68	112.19	106.24	110.99	108.83	110.71
<b>Income statement summary</b>											
Gross profits before credit costs for trust accounts	3,522.5	3,502.0	3,634.2	3,753.4	4,229.0	4,143.2	4,011.8	3,854.2	3,725.7	3,986.3	3,997.9
Net interest income	2,020.0	1,840.5	1,816.8	1,878.6	2,181.6	2,113.5	2,024.4	1,906.8	1,922.7	1,892.9	1,905.1
Trust fees excluding credit costs	100.4	96.9	95.1	108.4	111.4	117.0	122.0	122.5	125.3	130.8	140.4
Net fees and commissions	979.4	964.2	1,042.2	1,160.3	1,308.6	1,320.5	1,328.4	1,327.1	1,303.9	1,341.2	1,334.7
Net trading profits	103.7	225.5	288.2	362.0	352.9	306.3	290.0	292.4	216.1	161.4	350.0
Net other operating profits	318.9	374.7	391.7	244.0	274.3	285.6	246.7	205.1	157.4	459.7	267.5
Net gains (losses) on debt securities	221.3	270.3	336.7	142.8	115.1	132.9	56.8	6.7	29.9	492.9	119.0
General and administrative expenses	2,020.8	1,994.5	2,095.0	2,289.3	2,584.1	2,585.2	2,593.5	2,621.4	2,647.1	2,801.8	2,749.4
Expense ratio	57.3%	56.9%	57.6%	60.9%	61.1%	62.3%	64.6%	68.0%	71.0%	70.2%	68.7%
Net operating profits before credit costs for trust accounts and provision for general allowance for credit losses	1,501.6	1,507.4	1,539.2	1,464.1	1,644.9	1,557.9	1,418.2	1,232.8	1,078.5	1,184.4	1,248.4
Total credit costs	(354.1)	(193.4)	(115.6)	11.8	(161.6)	(255.1)	(155.3)	(46.1)	(5.8)	(222.9)	(515.5)
the Bank and the Trust Bank combined	(174.2)	(134.5)	(65.3)	35.1	(71.1)	(103.7)	(47.9)	79.5	129.8	12.6	(223.2)
Net gains (losses) on equity securities	(57.1)	(88.6)	(53.6)	144.5	93.1	88.3	124.9	133.1	112.6	31.3	130.2
Gains (losses) on sales of equity securities	13.7	(9.4)	33.6	157.5	97.9	113.6	127.4	140.1	125.9	92.1	138.3
Losses on write-down of equity securities	(70.9)	(79.2)	(87.3)	(12.9)	(4.8)	(25.3)	(2.5)	(7.0)	(13.3)	(60.8)	(8.0)
Equity in earnings of equity method investees	11.3	377.5	52.0	112.4	159.6	230.4	244.4	242.8	284.3	277.2	321.7
Other non-recurring gains (losses)	(385.1)	(130.8)	(77.7)	(38.2)	(23.0)	(82.0)	(271.4)	(100.3)	(121.7)	(34.2)	(131.3)
Ordinary profits	646.4	1,471.9	1,344.1	1,694.8	1,713.0	1,539.4	1,360.7	1,462.4	1,348.0	1,235.7	1,053.6
Net extraordinary gains (losses)	(6.8)	(23.8)	9.6	(151.7)	(98.2)	(40.7)	(57.5)	(53.0)	(202.7)	(406.3)	(11.5)
Total taxes	175.4	376.4	395.7	439.9	467.7	460.2	342.1	313.4	195.5	220.8	185.0
Tax burden ratio	27.4%	26.0%	29.2%	28.5%	28.9%	30.7%	26.2%	22.2%	17.0%	26.6%	17.7%
Profits attributable to non-controlling interests	(119.0)	90.2	105.3	118.1	113.2	87.1	34.6	106.2	77.0	80.3	79.9
Profits attributable to owners of parent	583.0	981.3	852.6	984.8	1,033.7	951.4	926.4	989.6	872.6	528.1	777.0
<b>Balance sheet summary</b>											
Total assets	206,227.0	218,861.6	234,498.7	258,131.9	286,149.7	298,302.8	303,297.4	306,937.4	311,138.9	336,571.3	359,473.5
Loans and bills discounted	79,995.0	84,492.6	91,299.5	101,938.9	109,368.3	113,756.3	109,005.2	108,090.9	107,412.4	109,114.6	107,183.0
Securities	71,023.6	78,264.7	79,526.8	74,515.5	73,538.1	69,993.8	59,438.8	59,266.1	64,262.4	65,555.1	77,122.0
Total liabilities	195,412.6	207,185.8	220,979.0	243,019.0	268,862.2	280,916.1	286,639.0	289,642.3	293,877.2	319,715.6	341,757.2
Deposits	124,144.3	124,789.2	131,697.0	144,760.2	153,357.4	160,965.0	170,730.2	177,312.3	180,171.2	187,623.5	211,521.2
Negotiable certificates of deposit	10,961.0	12,980.6	14,855.0	15,548.1	16,073.8	11,591.5	11,341.5	9,854.7	9,413.4	7,787.5	8,099.1
Total net assets	10,814.4	11,675.7	13,519.6	15,112.8	17,287.5	17,386.7	16,658.3	17,295.0	17,261.6	16,855.7	17,716.2
Total shareholders' equity	9,104.9	9,909.5	10,578.3	11,346.2	11,328.6	11,855.8	12,318.8	12,880.8	13,300.1	13,471.8	13,816.0
Retained earnings	4,799.6	5,602.3	6,267.9	7,033.1	7,860.4	8,587.5	9,278.5	10,064.6	10,640.6	10,855.7	11,200.0
Total accumulated other comprehensive income	(156.0)	83.4	1,158.2	1,709.7	3,989.2	3,602.1	2,961.3	3,143.8	2,879.1	2,518.9	2,986.4
Non-controlling interests	1,858.2	1,674.8	1,774.1	2,048.1	1,961.3	1,920.5	1,377.7	1,270.1	1,082.1	864.8	913.6
<b>Financial Ratios</b>											
Common Equity Tier 1 Capital ratio	—	—	11.60%	11.18%	11.09%	11.63%	11.76%	12.58%	12.23%	11.90%	12.33%
Tier 1 Capital ratio <sup>1</sup>	11.33%	12.15%	12.63%	12.37%	12.58%	13.24%	13.36%	14.32%	13.90%	13.56%	13.96%
Total Capital ratio	14.89%	14.72%	16.53%	15.43%	15.62%	16.01%	15.85%	16.56%	16.03%	15.87%	16.31%
Dividends per share (DPS) (yen)	12.0	12.0	13.0	16.0	18.0	18.0	18.0	19.0	22.0	25.0	25.0
Dividend payout ratio	30.0%	17.6%	22.0%	23.4%	24.6%	26.3%	26.4%	25.5%	32.9%	61.0%	41.3%
Book-value per share (BPS) (yen)	604.58	678.25	800.95	893.77	1,092.75	1,121.07	1,137.78	1,217.41	1,252.03	1,245.33	1,308.12
Earnings per share (EPS) (yen)	39.95	68.09	58.99	68.29	73.22	68.51	68.28	74.55	66.91	40.95	60.50
ROE MUGF definition	6.89%	11.10%	8.77%	9.05%	8.74%	7.63%	7.25%	7.53%	6.45%	3.85%	5.63%
ROE JPXSE definition	6.55%	10.60%	7.96%	8.05%	7.38%	6.18%	6.02%	6.32%	5.41%	3.28%	4.73%
Total number of ordinary shares (excluding own shares) (billion shares)	14.141	14.144	14.155	14.161	14.017	13.788	13.429	13.162	12.922	12.840	12.844
Share price (fiscal year-end) (yen)	384	412	558	567	743.7	521.5	699.7	697.0	550.0	403.0	591.7
Market capitalization <sup>2</sup> (trillions of yen)	5.4	5.8	7.8	8.0	10.4	7.1	9.3	9.1	7.1	5.1	7.6
PBR <sup>2</sup> (times)	0.63	0.60	0.69	0.63	0.68	0.46	0.61	0.57	0.43	0.32	0.45
PER <sup>2</sup> (times)	9.6	6.0	9.4	8.3	10.1	7.6	10.2	9.3	8.2	9.8	9.7

<sup>1</sup> FY 2010 to FY 2011 are under Basel II standards<sup>2</sup> Figures based on fiscal year-end share price

# Financial and Non-Financial Highlights

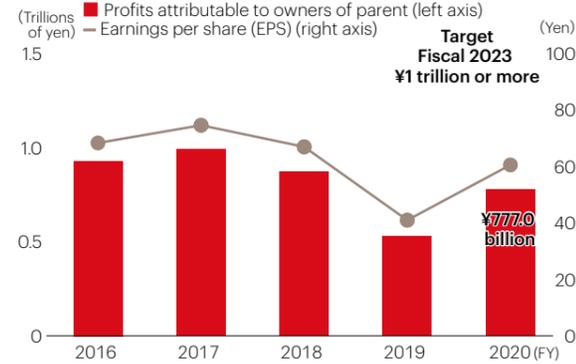
## ROE



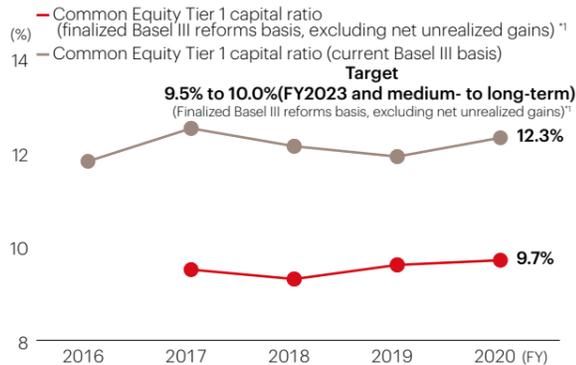
\*1 Profits attributable to owners of parent ×100  
 [(Total shareholders' equity at the beginning of the period + Foreign currency translation adjustments at the beginning of the period) + (Total shareholders' equity at the end of the period + Foreign currency translation adjustments at the end of the period)] ÷ 2

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

## Profits Attributable to Owners of Parent



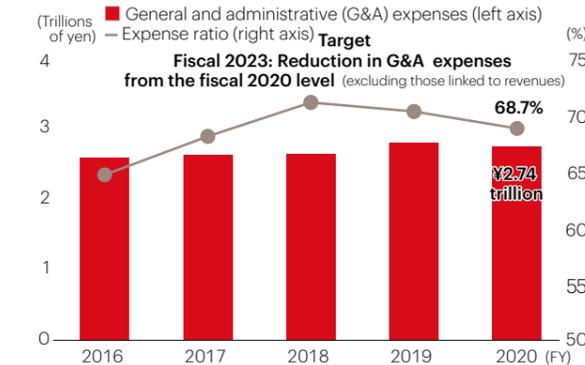
## Common Equity Tier 1 Capital Ratio



\*1 Estimate reflecting the RWA increase calculated on the finalized Basel III reforms basis, excluding net unrealized gains on available-for-sale securities

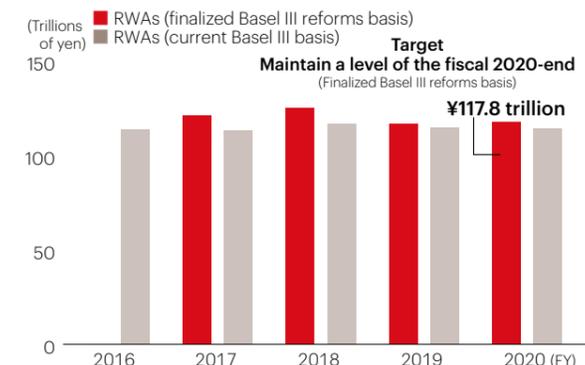
Our Common Equity Tier 1 capital ratio remains robust and sufficient due to an ongoing tight grip on risk-weighted assets (RWAs), the denominator in the calculation of this ratio.

## Expenses



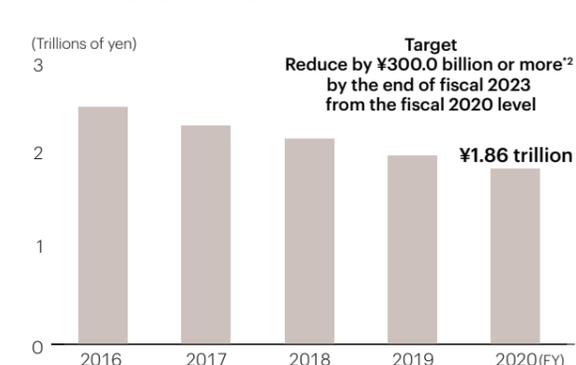
Despite increased expenses arising from the consolidation of Bank Danamon and FSI, general and administrative expenses decreased due to the cost reduction in expenses domestically and overseas initiated by tight control, achieving a turnaround from the upward trend and leading to an improvement in the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

## RWAs



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

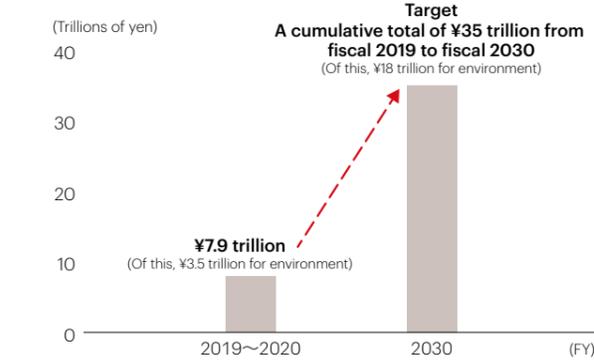
## Balance of Equity Holdings<sup>1</sup>



\*1 Simple sum of the Bank and the Trust Bank. Acquisition price of domestic equity securities in the category of "other securities" with market value (consolidated)  
 \*2 Amount of equity holdings reduced via divestment

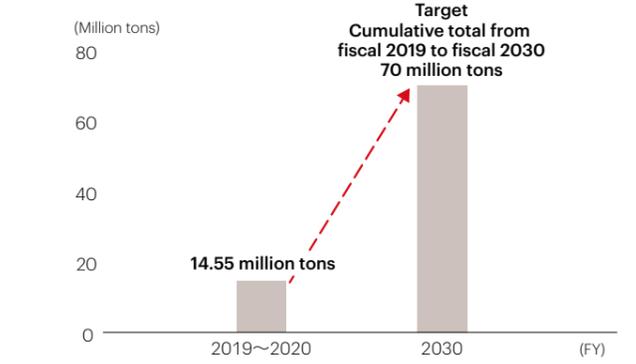
In line with a basic policy of reducing the balance of equities held for the purpose of policy-oriented investment, we divested equity holdings worth ¥137.0 billion (on an acquisition-cost basis) in fiscal 2020.

## Amount of Funds Extended in Sustainable Finance



Our target for sustainable finance was revised upwardly from ¥20 trillion to ¥35 trillion in April 2021, and the cumulative total amount of financing since fiscal 2019 has grown steadily to ¥7.9 trillion.

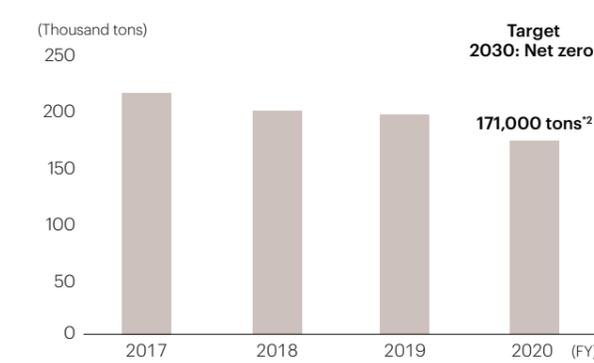
## CO<sub>2</sub> Emissions<sup>1</sup> Reduced via Renewable Energy Project Financing



\*1 Cumulative annual CO<sub>2</sub> reduction effect from renewable projects MUFG has provided with finance in the fiscal year, calculated based on generation capacity, capacity factor and emission factor. The value is after taking into account the share of MUFG's loan arrangement or underwriting amount.

In May 2021, we set a target for an estimated reduction in CO<sub>2</sub> emissions due to our renewable energy project finance. By the end of fiscal 2030, we expect to achieve a cumulative total reduction of 70 million tons, which is the equivalent of around half the total annual CO<sub>2</sub> emissions of all households in Japan.

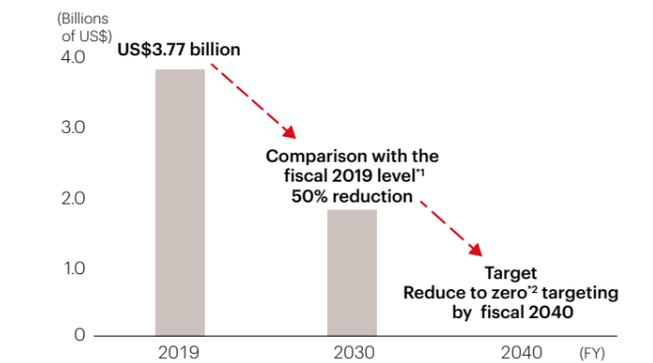
## CO<sub>2</sub> Emissions from the 5 Primary Domestic Group Companies<sup>1</sup> (Scope 1 & 2)



\*1 The holding company, the Bank, the Trust Bank, the Securities and NICOS  
 \*2 Provisional figure as of July 2021

In May 2021, we announced our target of reducing the volume of greenhouse gas emissions from our own operations to net zero by the end of 2030. We will raise the ratio of renewable energy to purchased energy used by domestic offices and branches of the Bank, the Trust Bank and the Securities to 100% by the end of fiscal 2021.

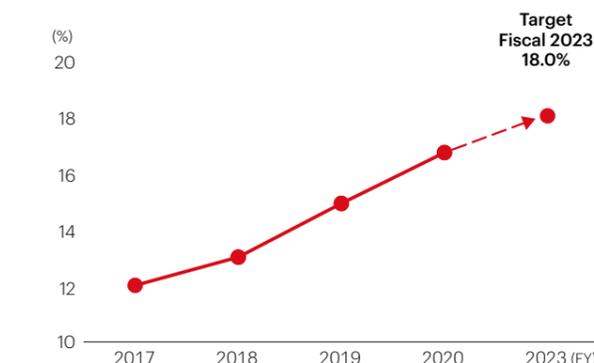
## Balance of Project Financing for Coal-Fired Power Generation



\*1 As of the end of FY2019: US\$3.58 billion  
 \*2 Projects that contribute to transition to a decarbonized society are exceptional according to the MUFG Environmental and Social Policy Framework

We have set our target for a reduction in the balance of project financing for coal-fired power generation in October 2020 and, since then, striven to achieve this target.

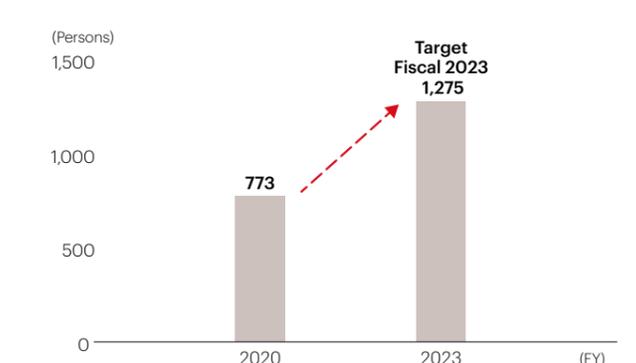
## Ratio of Women in Management in Japan<sup>1, 2</sup>



\*1 Ratio of women in line manager or higher positions  
 \*2 A joint numerical target to be achieved together by the Bank, the Trust Bank and MUMSS

We have newly set our target for the ratio of women in management in Japan. Having upgraded our conventional target, this new target places greater emphasis on increasing the ratio of women in senior managerial positions.

## Number of Job Challenge Program Applicants<sup>1</sup>

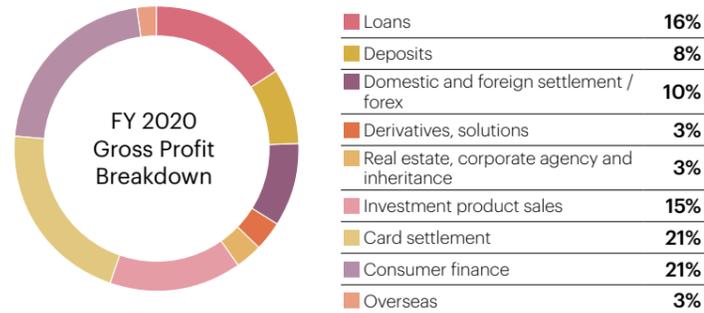


\*1 Number of applicants to an in-house posting program among employees of the Bank, the Trust Bank and MUMSS

The Job Challenge program offers opportunities for each applicant to take on tasks within the Group in a way that aligns with their desires regardless of the entity they belong to. Toward fiscal 2023, we have set a higher target for the number of applicants.

## Business Group Performance

### Retail & Commercial Banking Business Group<sup>\*1</sup> **R&C**



	FY 2019	FY 2020
Net operating profits (billion yen)	299.9	258.3
Expense ratio	80%	82%
ROE	10% <sup>*2</sup>	5%

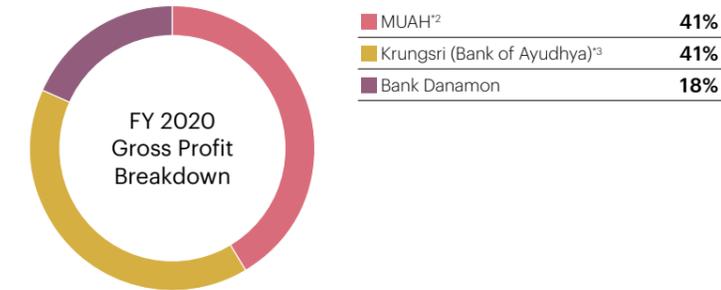
<sup>\*1</sup> Managerial accounting basis. Local currency basis. Gross profits, expenses and net operating profits include profits from overseas transactions with Japanese corporate customers and profits from business owner transactions, which belong to JCIB. ROE is calculated using RWAs and is based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

<sup>\*2</sup> ROE excluding the impact of one-time tax effect is 6%

#### Overview of FY 2020 Results

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

### Global Commercial Banking Business Group<sup>\*1</sup> **GCB**



	FY 2019	FY 2020
Net operating profits (billion yen)	216.2	275.6
Expense ratio	72%	65%
ROE	-17% <sup>*4</sup>	1%

<sup>\*1</sup> Managerial accounting basis. Local currency basis. Figures for MUAH and Krungsri include those belonging to GCB only and exclude those belonging to other business groups. Figure for Bank Danamon is on a standalone entity basis. ROE is calculated using RWAs and is based on net profits. Gross profit breakdown excludes profits or losses from others

<sup>\*2</sup> Excluding figures belonging to Trust/Securities subsidiaries, JCIB, GCIB and Global Markets

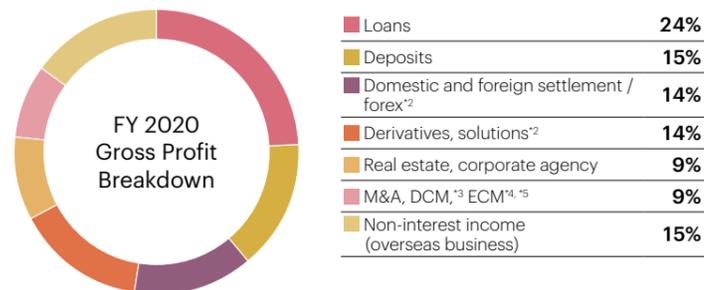
<sup>\*3</sup> After GAAP adjustment. Excluding figures that belong to Global Markets

<sup>\*4</sup> ROE excluding the impact of one-time amortization of goodwill and impairment loss is 5%

#### Overview of FY 2020 Results

Despite the impact of lower U.S. interest rates, net operating profits were up year on year, reflecting the accumulation of deposits and loans backed by customer trends in Thailand toward securing robust liquidity as well as the positive effect of business consolidations and cost reductions in Indonesia.

### Japanese Corporate & Investment Banking Business Group<sup>\*1</sup> **JCIB**



	FY 2019	FY 2020
Net operating profits (billion yen)	262.8	249.2
Expense ratio	56%	57%
ROE	14%	8%

<sup>\*1</sup> Managerial accounting basis. Local currency basis. Gross profits, expenses and net operating profits include profits from business owner transactions, which belong to R&C, and profits from Japanese corporate customers served by Krungsri and Bank Danamon, which belong to GCB. ROE is calculated using RWAs and is based on net profits, excluding non-JPY medium- to long-term funding costs. Gross profit breakdown excludes profits or losses from others

<sup>\*2</sup> Figures are domestic business only. Figures of overseas business are included in non-interest income (overseas business)

<sup>\*3</sup> Debt Capital Markets

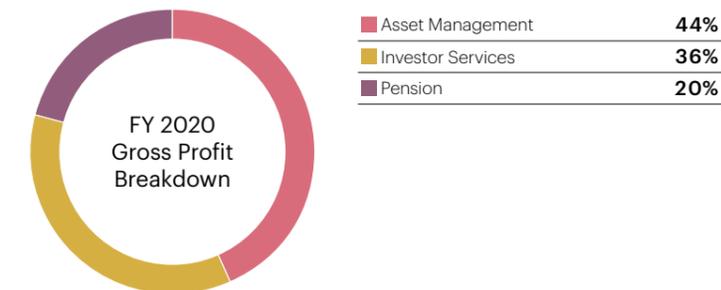
<sup>\*4</sup> Equity Capital Markets

<sup>\*5</sup> Including real estate securitization, etc.

#### Overview of FY 2020 Results

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

### Asset Management & Investor Services Business Group<sup>\*1</sup> **AM/IS**



	FY 2019	FY 2020
Net operating profits (billion yen)	70.9	84.1
Expense ratio	71%	72%
ROE	19%	24% <sup>*2</sup>

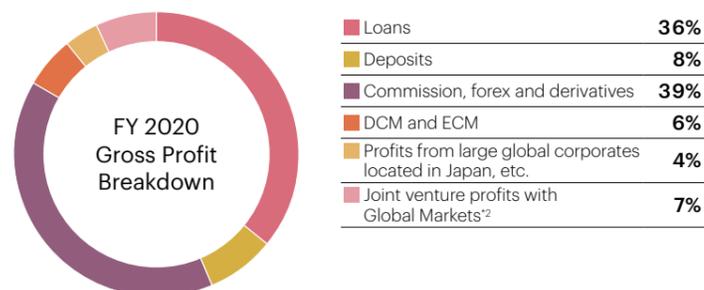
<sup>\*1</sup> Managerial accounting basis. Local currency basis. ROE is calculated using economic capital and is based on net profits

<sup>\*2</sup> ROE excluding the impact of gains on sales of AMP Capital shares is 21%

#### Overview of FY 2020 Results

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

### Global Corporate & Investment Banking Business Group<sup>\*1</sup> **GCIB**



	FY 2019	FY 2020
Net operating profits (billion yen)	173.7	176.4
Expense ratio	63%	63%
ROE	9%	5%

<sup>\*1</sup> Managerial accounting basis. Local currency basis. Gross profits, expenses and net operating profits include profits from large global corporates of Krungsri, which belongs to GCB, profits from large global corporates located in Japan, which belong to R&C and JCIB, and joint venture profits with Global Markets. ROE is calculated using RWAs and is based on net profits, excluding non-JPY medium- to long-term funding costs. Gross profit breakdown excludes profits or losses from others

<sup>\*2</sup> Including O&D (Origination and Distribution) profits through collaboration with Global Markets

#### Overview of FY 2020 Results

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

### Global Markets Business Group<sup>\*1</sup> **Global Markets**



	FY 2019	FY 2020
Net operating profits (billion yen)	343.8	377.4
Expense ratio	45%	44%
ROE	5%	5%

<sup>\*1</sup> Managerial accounting basis. Local currency basis. Gross profits, net operating profits and expenses include joint venture profits with GCIB. ROE is calculated using economic capital and is based on net profits. Gross profit breakdown excludes profits or losses from others

#### Overview of FY 2020 Results

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

## Digital Service Business Group (DS)

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

### Vision for the Business Group

- A financial services specialist relied on by society as a whole and capable of helping customers resolve their anxieties about finance
- A financial and digital platform operator boasting an overwhelming presence as Japan's leading bank

### Strengths of the Business Group

- A robust customer base and an extensive network of business bases at home and abroad
- The safe and secure systems necessary for collaboration with external corporations in providing non-face-to-face services in addition to hard-earned customer trust and confidence



**Masakazu Osawa**  
Group Head, Digital Service Business Group

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

### Accomplishments

- ▶ Grew the number of internet banking users to 7.2 million by the end of fiscal 2020
- ▶ Via the use of digital technologies, reduced the workload by an amount equivalent to the labor of approximately 4,400 employees over the fiscal 2017-2020 period
- ▶ Made progress in open innovation involving external collaboration to create new businesses

### Challenges

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

## KPIs under the New MTBP

ROE <sup>*1</sup>	ROE components	FY 2023 plan	Change from FY 2020	Initiatives to achieve ROE target
	Net operating profits	¥205.0 billion	+¥30.0 billion	<ul style="list-style-type: none"> <li>● Develop non-face-to-face business models</li> <li>● Promote operational streamlining and cost reductions via digitalization</li> </ul>
	Expense ratio	73%	-4%	
	RWAs	¥9.2 trillion	➔	

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

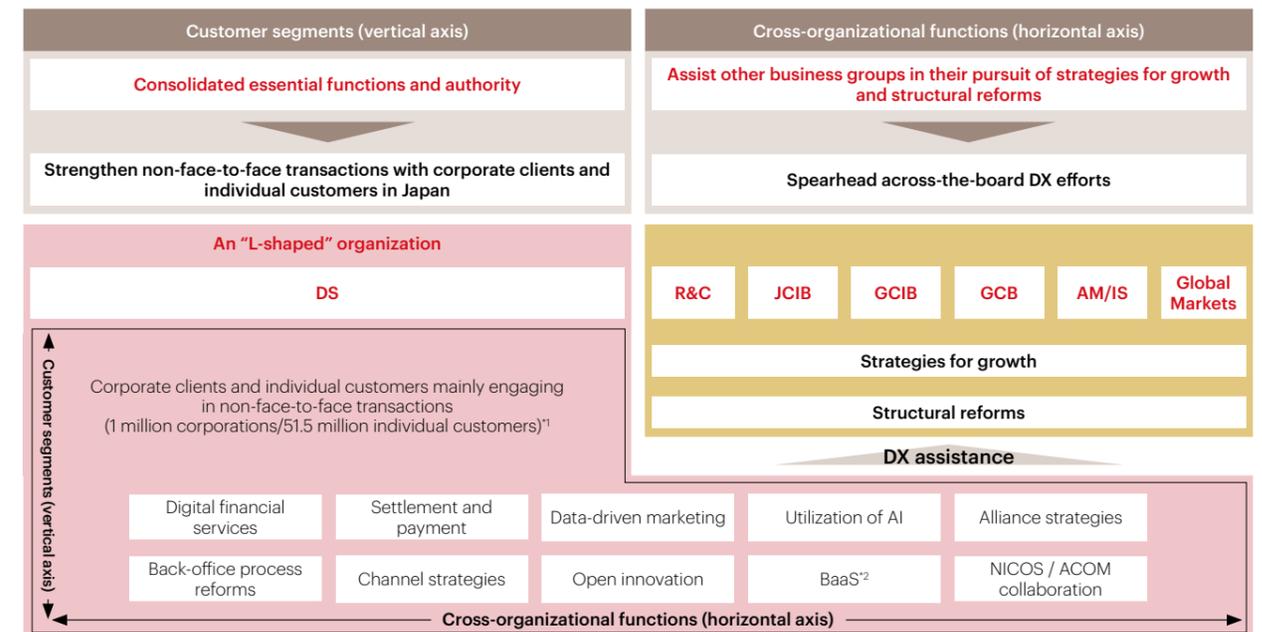
## Key Strategies under the New MTBP

### Outline of the Business Group

In terms of customer segments, the Digital Service (DS) Business Group is tasked with strengthening non-face-to-face transactions with corporate clients and individual customers in Japan. Functionally, the business group also spearheads cross-the-board digital transformation (DX) efforts, acting as an "L-shaped" organization. The DS was established in April 2021 through the consolidation of authority for digital technologies and

administrative operations, with the aim of securing speedier decision making and execution capabilities. Rallying these resources, the DS will strive to innovate MUFG's non-face-to-face business model in addition to spearheading cross-the-board operational process reforms ranging from bank-counter to back-office operations and achieving cost reductions.

### Roles Assigned to the DS Business Group



\*1 Simple sum of the Bank, NICOS and ACOM \*2 Banking as a Service

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

Through smartphone apps and other channels, we will deliver financial services finely tuned to meet varying customer needs in light of their life stages in a way that fully takes advantage of digital technologies. We will also collaborate with external corporations to establish a model for making our financial services

accessible to their customer bases. In these ways, we will enhance contact points with customers while penetrating the realm of daily consumer activities to accurately assess their needs. For more details, please also refer to pages 67-68.

## Promote the DX-Driven Operational Streamlining and Cost Reduction

We will undertake such measures as digitizing bank-counter procedures and deploying tablets with the aim of simultaneously achieving improved customer convenience and more efficient administrative operations. To this end, we aim to raise the ratio of bank-counter procedures that can also be completed via online alternatives to 75% by the end of fiscal 2023. Simultaneously, we

will push ahead with consolidating branch administrative work at back-office centers while promoting digital-driven operational automation. Through these efforts, by the end of fiscal 2023 we hope to reduce the workload by an amount equivalent to the labor of more than 10,000 employees compared with the fiscal 2017 level.

## Retail & Commercial Banking Business Group (R&C)

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

### Vision for the Business Group

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

### Strengths of the Business Group

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



**Atsushi Miyata**  
Group Head, Retail & Commercial Banking Business Group

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

### Accomplishments

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

### Challenges

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

## KPIs under the New MTBP

ROE <sup>*1</sup>	ROE components	FY 2023 plan	Change from FY 2020	Initiatives to achieve ROE target
	<b>Net operating profits</b>	¥140.0 billion	+¥75.0 billion	<ul style="list-style-type: none"> <li>● Enhance earnings power                             <ul style="list-style-type: none"> <li>(1) Promote corporate banking and WM solutions in an integrated manner</li> <li>(2) Expand retail banking value chains</li> </ul> </li> <li>● Digital shift</li> <li>● Ongoing cost reduction initiatives</li> </ul>
	<b>Expense ratio</b>	77%	-11%	
	<b>RWAs</b>	¥16.6 trillion	➔	

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

## Key Strategies under the New MTBP

### Wealth Management

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

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

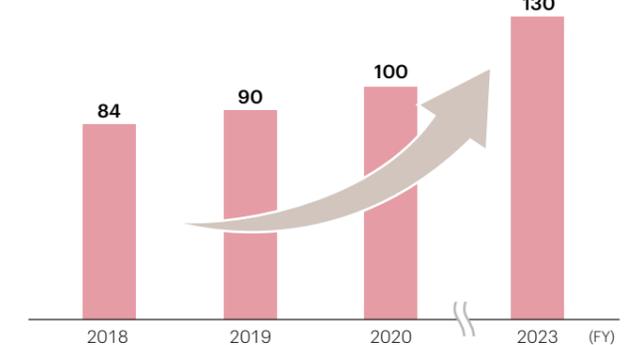
The cross-transactional business refers to a type of business that takes full advantage of the comprehensive capabilities afforded by Group companies, namely, the Bank, the Trust Bank and the Securities. We leverage our extensive corporate customer base to reach out to business owners, who account for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

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

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

### Balance of Assets under Management<sup>\*1</sup>

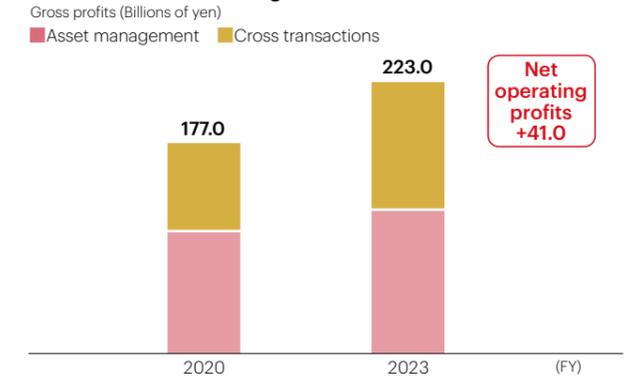
(Trillions of yen)



\*1 Cumulative total balance of profiling assets for individual customers

### Profits from Wealth Management

Gross profits (Billions of yen)

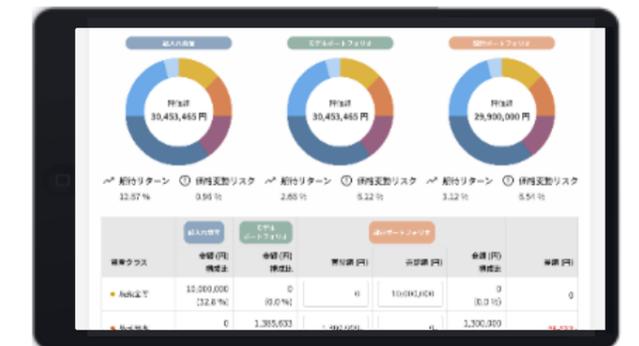


## Digital Shift

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

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

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



## Japanese Corporate & Investment Banking Business Group (JCIB)

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

### Vision for the Business Group

- Grow together with customers by sharing business risk
- Realize "staircase management"; steadily climb a growth staircase and achieve year-on-year improvement toward the goals of the Medium-Term Business Plan in three years

### Strengths of the Business Group

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



**Naomi Hayashi**  
Group Head, Japanese Corporate & Investment Banking Business Group

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

### Accomplishments

- ▶ Stably upgraded a business approach focused on helping corporate clients resolve their management challenges via the establishment of the RM/PO model<sup>\*1</sup> enabling us to deliver solutions rallying comprehensive functions afforded by the Group
- ▶ Narrowed the non-JPY loan-to-deposit gap by increasing the sophistication of balance sheet management
- ▶ Improved non-JPY lending spreads via O&D<sup>\*2</sup> and pricing management conscious of funding costs
- ▶ Successfully sold equity holdings in excess of the target

### Challenges

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

<sup>\*1</sup> RM: Relationship Managers in charge of sales. PO: Product Office, namely, business units and staff in charge of the planning, development and the provision of products and services. The RM/PO model refers to a structure in which the Bank's sales staff serves as RMs for MUFG and acts in collaboration with Securities and Trust Bank entities to swiftly accommodate customer needs

<sup>\*2</sup> Origination & Distribution: Operations involving the formulation and sales of debt securities for investors, and the liquidation of MUFG's own assets

## KPIs under the New MTBP

ROE <sup>*1</sup>	ROE components	FY 2023 plan	Change from FY 2020	Initiatives to achieve ROE target
	Net operating profits	¥285.0 billion	+¥45.0 billion	<ul style="list-style-type: none"> <li>● Take a thoroughly profitability-focused, capital-cost conscious approach</li> <li>● Develop a business model enabling us to grow sustainably</li> </ul>
	Expense ratio	51%	-5%	<ul style="list-style-type: none"> <li>● Stably achieve ongoing year-on-year cost reductions</li> </ul>
	RWAs	¥30.0 trillion	↓	<ul style="list-style-type: none"> <li>● Enhance our capabilities to accommodate emerging customer needs in terms of risk-taking and responsiveness to new fields</li> </ul>

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

## Key Strategies under the New MTBP

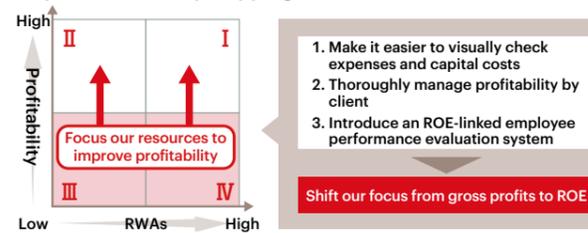
### Establish a Business Model Focused on Achieving Higher ROE

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

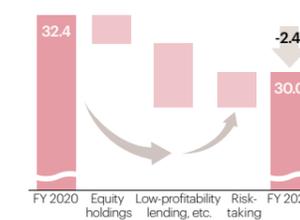
potential for high profitability. In this way, we will maintain proper control on both profitability and RWAs.

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

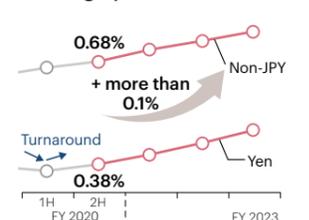
### Capital Profitability Mapping



### RWAs<sup>\*1</sup> (Trillions of yen)



### Lending Spreads<sup>\*1,\*2</sup>



<sup>\*1</sup> Planned value for the Bank (JCIB)

<sup>\*2</sup> Calculated by dividing annual net interest income for fiscal year by average lending balance

## Approach of Proposing Solutions to Customer's Issues

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

business initiatives aimed at helping corporate clients resolve the business and management challenges they are confronting.

### Corporate clients' business and management challenges

- Ever faster changes in social structure
- Growing importance of ESG-oriented management

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



### An Example of Sustainable Finance



Extended loans to the largest hydrogen station operator in the U.S. (Please also refer to a press release issued by the Bank on April 26, 2021)

### Strengthening Our Capabilities to Help Resolve Challenges Confronting Large Corporations

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

In fiscal 2021, we also established the Sustainable Business Division, which is tasked with supporting corporate clients with the aim of realizing a carbon neutral society and addressing issues society is now confronting. Looking ahead, we will step up new

# Global Corporate & Investment Banking Business Group (GCIB)

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

## Vision for the Business Group

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

## Strengths of the Business Group

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



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

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

### Accomplishments

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

### Challenges

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

<sup>1</sup> O: Origination; D: Distribution

## KPIs under the New MTBP

ROE <sup>1</sup>	ROE components	FY 2023 plan	Change from FY 2020	Initiatives to achieve the ROE target
	Net operating profits	¥180.0 billion	+¥40.0 billion	<ul style="list-style-type: none"> <li>● Optimize the business portfolio</li> <li>● Strengthen O&amp;D/OtoD and cross-selling</li> <li>● Enhance product offering capabilities with developing appropriate risk appetite</li> </ul>
	Expense ratio	58%	-8%	
	RWAs	¥21.8 trillion		

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

## Key Strategies under the New MTBP

### GCIB & Global Markets

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

### Portfolio Optimization

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

### The "Three Focuses" of the Institutional Investors Business

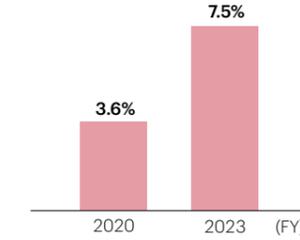
Approximately 120 of target clients, which are mainly asset managers and financial sponsors, have been identified for strengthening the institutional investor business. We will promote businesses with these target clients based on below "Three Focuses."

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

<sup>1</sup> Non-investment grade

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

### GCIB-Global Markets Combined ROE<sup>1</sup>



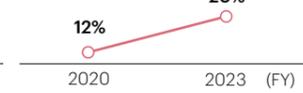
<sup>1</sup> Targeted domains: Overall GCIB + Global Markets S&T (excl. Japanese Corporate sales)

### Non-interest Income Ratio



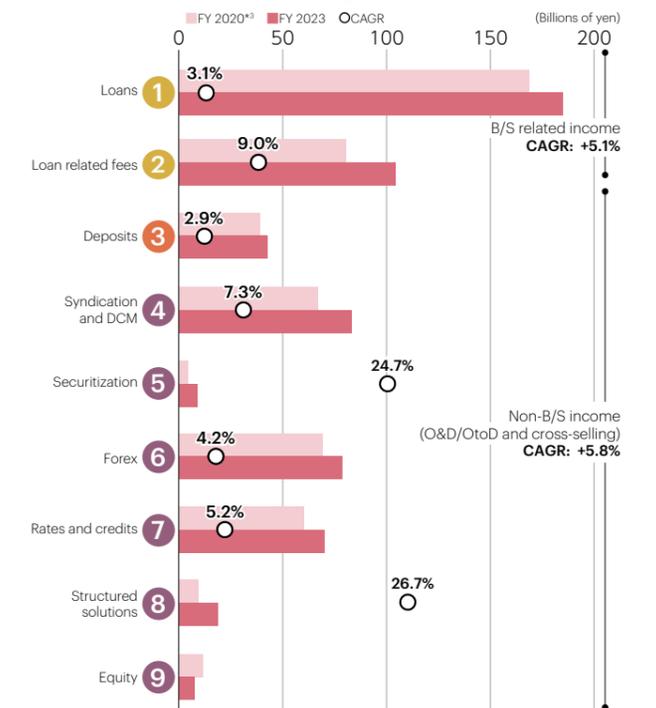
<sup>2</sup> After the adjustment of one-time impacts

### Institutional Investor Portfolio Ratio



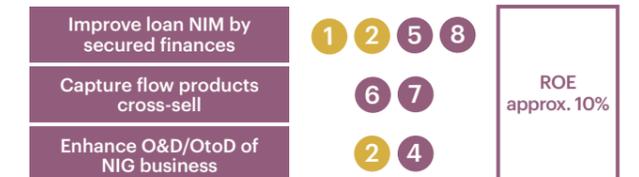
### Expansion of Non-B/S<sup>1</sup> Income through Utilizing B/S Capacity

GCIB & Global Markets revenue target<sup>2</sup>



<sup>1</sup> Balance sheet  
<sup>2</sup> Targeted domains: Overall GCIB + Global Markets S&T (excl. Japanese Corporate sales)  
<sup>3</sup> After the adjustment of one-time impacts

### The Institutional Investors Business—"Three Focuses"



# Global Commercial Banking Business Group (GCB)

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

## Vision for the Business Group

- Empower a brighter future for customers in ASEAN via collaboration between MUFG and partner banks

## Strengths of the Business Group

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



**Takayoshi Futae**  
Group Head, Global Commercial Banking Business Group

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

### Accomplishments

- Completed a commercial banking platform in ASEAN via the consolidation of Bank Danamon
- Helped Thailand-based Krungsri (Bank of Ayudhya) raise its domestic ranking from fifth at the time of MUFG's investment to third in 2020<sup>\*1</sup>
- Developed a new framework for business restructuring at MUFG Union Bank

### Challenges

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

\*1 Ranking among Thailand-based banks, excluding government-funded financial institutions, based on net profits

## KPIs under the New MTBP

ROE <sup>*1</sup>	ROE components	FY 2023 plan	Change from FY 2020	Initiatives to achieve ROE target
	Net operating profits	¥290.0 billion	+¥20.0 billion	Strengthen businesses handled by Bank Danamon, such as consumer finance
	Expense ratio	64%	-1%	Execute cost structure reforms, step up corporate lending and otherwise get MUFG Union Bank on a recovery track
	RWAs	¥19.5 trillion	↗	Constantly monitor credit costs

\*1 ROE is calculated using RWAs (Managerial accounting basis. Net profit basis)

## Key Strategies under the New MTBP

### Asia Business

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

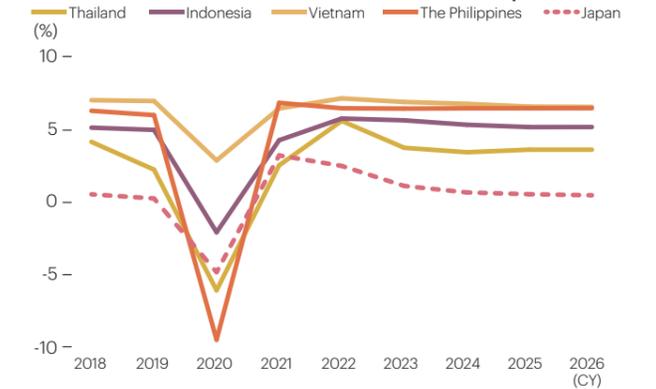
#### Supporting the Growth of Partner Banks

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

#### Strategically Reaching Out to the Entire ASEAN Region

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

### GDP<sup>\*1</sup> of ASEAN Countries in which Partner Banks Operate (%)



\*1 Source: World Economic Outlook Database, issued by IMF in April 2021

### Sharing Krungsri's Expertise with Bank Danamon

Krungsri's domestic market share by product (ranking)

	FY 2015	FY 2020
Auto loans	22% (2nd)	30% (1st)
Personal loans	27% (1st)	30% (1st)
Credit cards	15% (1st)	16% (1st)
Residential mortgage loan balance	¥0.6 trillion	¥1.0 trillion

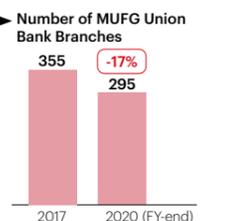


### U.S. Business

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

### Restructuring Strategies for U.S. Regional Banking Operations (Back to Basic)

- Back to Basic Strategies (Five Key Strategies)
- Strengthen SME transactions
  - Increase deposit-related transactions
  - Enhance digital-based functions
  - Optimize loans for individual customers
  - Promote in-house measures for operational streamlining
- Review the branch network, etc.



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

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

### Vision for the Business Group

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

### Strengths of the Business Group

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



**Takayuki Yasuda**  
Group Head, Asset Management & Investor Services Business Group

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

#### Accomplishments

- AM business: Completed the acquisition of FSI<sup>1</sup> to expand our global businesses and that of MU Alts<sup>2</sup> to strengthen alternative product capabilities and new product development including private placement REIT infrastructure debt instruments, etc.
- IS business: Accelerated the release of comprehensive services through the enhancement of high-value-added service lineups while making progress in collaboration with GCIB and Global Markets
- Pension business: Pushed ahead with the development of consulting services that integrate pension schemes and investment

#### Challenges

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

<sup>1</sup> First Sentier Investors: An asset management firm based in Australia  
<sup>2</sup> Mitsubishi UFJ Alternative Investments Co., Ltd.: An asset management firm acquired by MUFG in fiscal 2020

### KPIs under the New MTBP

ROE <sup>1, 2</sup>	ROE components	FY 2023 plan	Change from FY 2020	Initiatives to achieve the ROE target
	Net operating profits	¥100.0 billion	+¥25.0 billion	<ul style="list-style-type: none"> <li>Pursue further growth for the global AM/IS business</li> <li>Enhance the lineup of alternative products while accelerating capabilities to deliver investment products in a timely manner</li> </ul>
	Expense ratio	69%	-3%	
	Economic capital	¥330.0 billion	↗	

<sup>1</sup> ROE is calculated using economic capital (Managerial accounting basis, Net profit basis)  
<sup>2</sup> Year-on-year change in ROE including the impact of gains on sales of AMP Capital shares in fiscal 2020 is -0.5%

### Key Strategies under the New MTBP

#### Global AM/IS

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

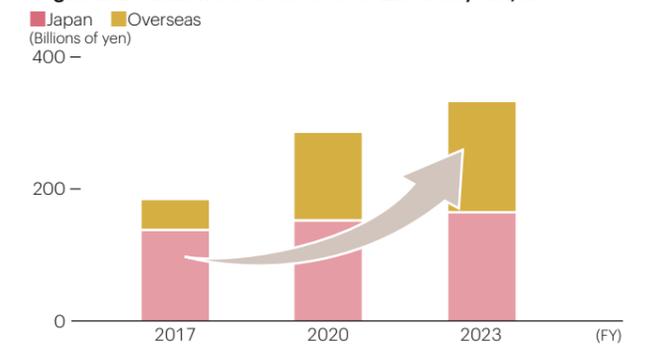
#### Global AM

Due to the acquisition of FSI, we have succeeded in securing new customers in Australia, Europe and the United States while making progress in the diversification of our products. To achieve sustainable growth, we will continue to enhance our product lineups and asset management capabilities. We consider the alternative investment field to be an area of particular interest due to its potential for market growth. Accordingly, we will pursue higher investment performance by reinforcing staffing for and securing excellent human resources to be allocated to FSI's specialist team for infrastructure investment, a field in which this firm boasts strength. In this way, we aim to raise our balance of assets under management. In addition, we aim to meet ever more diverse customer needs on the back of growing public interest in environmental and social concerns and the global trend toward a low interest rate environment. To this end, we will take on the development of new products employing strengths afforded by FSI, such as its industry-leading expertise in ESG-oriented investment.

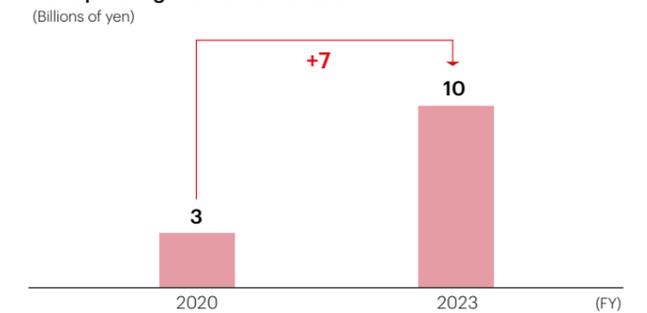
#### Global IS

Under the MUFG Investor Services brand, we will accommodate diverse needs for alternative funds with high growth potential through business bases around the world. In particular, we aim to achieve synergetic growth in the balance of assets under administration by enhancing and strengthening high-value-added services including securities lending and our banking functions such as fund finance and forex. By doing so, we will solidify our standing as a global, comprehensive service provider.

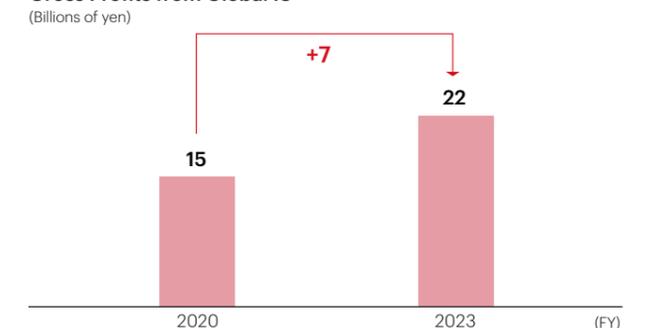
#### Regional Breakdown of Gross Profits Earned by AM/IS



#### Net Operating Profits from Global AM



#### Gross Profits from Global IS



### Responsible Investment Undertaken via Asset Management

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

MUFG Sustainable Investment Institute co-founded by FSI, which has long been engaged in sustainable investment, mainly in Europe, in tandem with the Trust Bank, with the aim of becoming an industry-leading player. Also, today's asset managers are expected to play their part in decarbonization initiatives. With this in mind, we will collaborate in and otherwise strive to spearhead such initiatives.

Moreover, we will further enhance our presence in this field by, for example, disseminating information from the First Sentier

## Global Markets Business Group

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

### Vision for the Business Group

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

### Strengths of the Business Group

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



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

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

### Accomplishments

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

### Challenges

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

## KPIs under the New MTBP

ROE <sup>*1</sup>	ROE components	FY 2023 plan	Change from FY 2020	Initiatives to achieve the ROE target
	Net operating profits	¥370.0 billion	-¥25.0 billion	<ul style="list-style-type: none"> <li>Promote business model transformation via integrated business operations involving GCIB</li> <li>Revamp our operations in the domestic market</li> <li>Upgrade treasury operations</li> <li>Develop new investment business</li> </ul>
	Expense ratio	39%	+2%	
	Economic capital	¥3.9 trillion	↓	

\*1 ROE is calculated using economic capital (Managerial accounting basis, Net profit basis)

## Key Strategies under the New MTBP

### GCIB & Global Markets

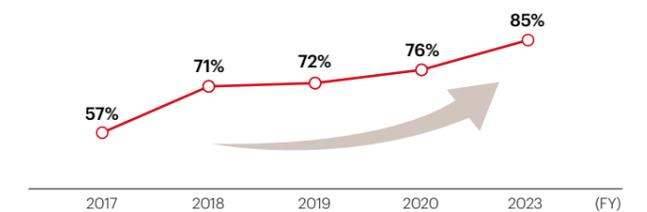
We promote integrated business operation involving collaboration between GCIB and Global Markets. For details on this strategy, please refer to page 60.

### Revamping Our Operations in the Domestic Market

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

deliver solutions that go beyond customer expectations, thereby securing MUFG's unparalleled position in the domestic market.

### Digitalization Ratio of FX Rate Contracts<sup>\*2</sup>



\*1 Electronic Foreign Exchange  
\*2 Internal transactions

### Upgrading Treasury Operation

With the aim of enhancing the profitability and stability of our balance sheet, we are striving to secure robust profit through flexible operations responsive to changes in the market environment. Simultaneously, we are engaged in funding aimed at supporting the MUFG Group's business.

Going forward, we will carry out market risk management in a way that takes advantage of specialist capabilities afforded by the Bank

and the Trust Bank. For example, we will engage in allocation management that flexibly combines JPY and non-JPY bonds as well as equity securities and credit. We will also take an agile approach to hedging operations so that they conform with prevailing interest rate trends. Furthermore, we will remain active in ESG investment while striking a balance between risk and return. We will also pursue low-cost and stable funding from the market to further improve our balance sheet efficiency.

### Develop New Investment Business

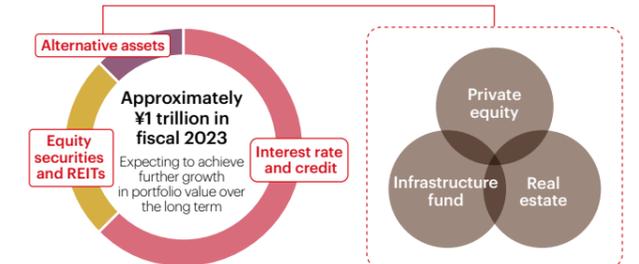
Foreseeing the continuation of low interest rate environment and further expansion in excess of deposits over loans, securing new profit sources in the medium- to long-term is one of the pressing challenges.

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

### New Investment Management with a Long-term Perspective

- Include alternative assets (e.g., private equity and real estate) with distinctively unique risk-return characteristics into our investment portfolio along with bonds and equities.

### Portfolio (image)



Note: Investment in the assets above will be executed in a prudent manner, with a strict selection of instruments.

## Evolving into a Financial and Digital Platform Operator

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

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

With this in mind, we are collaborating with multiple external businesses with large numbers of customer contact points to create a new model for financial services. By doing so, we aim to establish our standing as a financial and digital platform operator providing a safe, secure and reliable financial service platform accessible to a broad range of customers.

### New Digital-Based Financial Services Through Alliance

#### Business Alliance with NTT DOCOMO

In May 2021, the Bank signed a business alliance agreement with NTT DOCOMO, Inc. (DOCOMO) regarding the provision of new digital-based financial services. Leveraging this alliance, we will create innovative financial services that respond to the increasing diversification of customer needs reflecting recent changes in lifestyles, with the aim of delivering new customer value.

Specifically, we will employ a combination of DOCOMO's extensive membership base and diverse digital-based sales channels and the Bank's financial services. In this way, we will provide a new digital-based account service through which customers of the both companies are granted "d points" based on transactions. Moreover, our plans call for establishing a joint venture tasked mainly with planning and developing novel, data-driven businesses and services. In addition, the Bank and DOCOMO will consider the co-development of unique residential mortgage loans, collaboration in asset management services and other joint endeavors in the field of financial services.

Currently, the release of new digital-based account services is scheduled for, at latest, December 31, 2022, while the establishment of the joint venture is expected to be completed by March 31, 2022.

#### Strategic Significance of the Alliance with DOCOMO

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

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

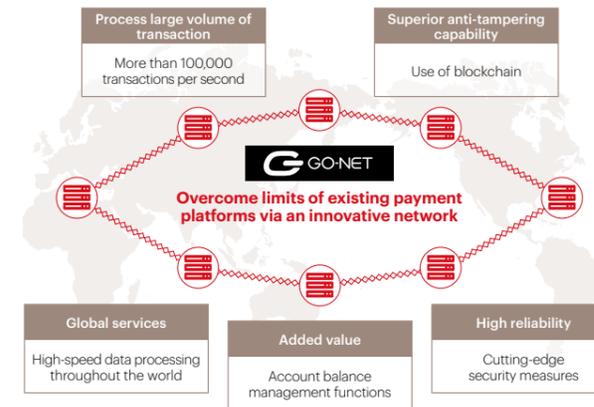


### Taking on the challenge of creating new businesses

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

With progress of digital transformation (DX), the volume of data transactions is expected to grow throughout society and cause significant system load. This outlook has become the subject of growing social concerns as businesses will have to confront the critical challenge of handling enormous volumes of data and curbing

system costs. In response, we developed GO-NET, a platform for the secured, high-speed processing of large volumes of transactional data via the use of unique blockchain technology. In April 2021, we launched "GO-NET FM/Center Connection Service," the first round in our GO-NET-based service, making it possible to relay payment data to credit card companies at significantly lower cost.

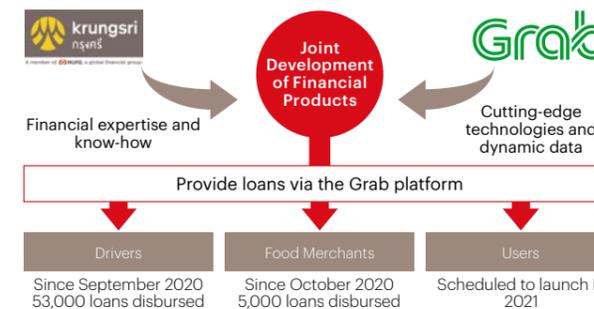


#### Partnership with Grab

We develop and provide new financial services and products in Southeast Asia by bringing together the cutting-edge technologies and extensive customer touch points of Grab and the financial expertise and know-how of MUFG and its partner banks.

For instance, Krungsri and Grab launched new loan products in Thailand to Grab drivers in September 2020 and to Grab food merchants in October 2020. As of March 2021, the number of loans disbursed to such drivers and merchants reached more than 53,000 and more than 5,000, respectively.

In this collaboration in Thailand with Grab, we have been able to acquire touch points with new customers while accumulating insights into the development of digital financial products. Specifically, those insights relate to marketing to customers with pre-approved credit limits, seamless transaction lending processes which complete loan disbursements in a few taps on the application without support of human operations, the use of behavioral data and sophisticated AI technologies for credit decisions. We aim to utilize those insights and experience for MUFG's next-generation digital financial services.



At the MUFG Investors Day held in July 2021, we presented these and other recent initiatives. For more details, please also visit the following URL.  
[https://www.muflg.jp/dam/ir/presentation/2021/pdf/slides210713\\_en.pdf](https://www.muflg.jp/dam/ir/presentation/2021/pdf/slides210713_en.pdf)

#### Investment in Open Innovation

To date, MUFG has proactively engaged in investment and business alliances with startups while incorporating their technologies to update its services and internal operations.

Stepping up these initiatives, we founded MUFG Innovation Partners Co., Ltd., a wholly owned subsidiary of MUFG, in January 2019 and subsequently launched a new corporate venture capital (CVC) fund totaling ¥20 billion. Over the course of two years, this subsidiary invested a total of ¥12.5 billion, steadily expanding its portfolio.

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

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



<sup>1</sup> Software as a Service

## Transform Our Corporate Culture

### Basic Policy

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

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

companies and dialogue sessions between external business leaders and the Group CEO. We also support voluntary social contribution activities planned and undertaken by employees.

Moreover, we implement measures aimed at facilitating workplace communications while providing training to help enhance employees' sense of ownership about the MUFG Way, which has been newly established, as well as MUFG Group Code of Conduct, which we update annually.

The outcomes of these measures are confirmed via the annual Group Awareness and Engagement Survey and other feedback and reported to the Board of Directors. The fiscal 2020 round of such survey targeted approximately 103,000 employees, with the ratio of respondents totaling 93%. We also implement improvement measures to address issues identified in the course of this survey.

### Town Hall Meetings with Top Management

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

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

Number of attendees	(cumulative total) 60,000
Domestic employees	(cumulative total) 50,000
For line managers or higher	1,700
For female employees	500
Overseas employees	(cumulative total) 9,200

### Dialogue Sessions between External Business Leaders and Group CEO

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

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



Mr. Anthony Tan, CEO of Grab

Mr. Makoto Takahashi, President of KDDI



Mr. Hiroshi Aoi, President of Marui Group

### "Finance of Tomorrow" Initiative

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



Mr. Tofubeats  
Musician  
Contact point between culture and finance

Mr. Shin Kikuchi  
Representative of Iki-mono Co., a business incubation company  
What must be done to resolve environmental and social issues

Ms. Kana Kawaguchi  
President of Homedoor, an NPO supporting homeless people  
Frontline of financial inclusion

#### List of dialogue themes

- 1st round Discovering a new mode of finance in Africa
- 2nd round Music surely knows what finance is
- 3rd round Ethical financing sprouting buds in farmland
- 4th round More freedom for people who have little access to loans
- 5th round An organization heeding external voices, a company where women shine
- 6th round What it takes to help the underbanked break free from homelessness
- 7th round Look to the frontline to find out why we promote DX

### "Straight-Talking" Roundtable with Group CEO

We hold "Straight-Talking" roundtable events in which employees engage in discussion with the Group CEO. 10 individuals have been selected from business units across the Group to join in such discussions and exchange ideas with the Group CEO. The events were held over the course of four months and focused on deliberating on the business model the Group must create, the value it must deliver via financial services and other themes proposed by these individuals with a sense of ownership about the future of MUFG. In these ways, all attendees took an in-depth look into what MUFG must evolve into in the future and how it should effect change. We have thus helped individuals with diverse backgrounds acquire a shared understanding of and fresh insights into issues they are currently confronting regardless of their age, Group entity they belong to or type of operations they handle. Furthermore, all these employees were able to refresh their

understanding of the need to take autonomous and spontaneous action to change the organization. In addition, the final round of these events closed with the presentation of a collective recommendation from the 10 employees to the Group CEO. Looking ahead, all 10 of these employees will spearhead projects they themselves have proposed in an effort to create an even more attractive company.



### MUFG SOUL—Bringing Our Aspirations to Bear to Empower Society (social contribution activities undertaken by employees)

We maintain a budget framework for financially supporting voluntary social contribution activities undertaken by employees, with the aim of encouraging employees to set their sights higher regarding what they can do for the public good and to take tangible action. To this end, the framework grants subsidies to social contribution projects selected from employee proposals. In fiscal 2020, we subsidized a total of 224 projects, including local cleanup activities, food donations, infancy support and assistance to people with disabilities. Engaging in such activities gives employees opportunities to directly interact with those in need of assistance. This, in turn, helps raise overall employee awareness toward the resolution of various issues confronting society.



# Human Resources Strategy

## Basic Policy

In line with the MUFG Way, we aim to provide our employees with opportunities for personal growth and offer an environment in which they can direct their energies into working with a sense of fulfillment. To this end, we promote inclusion & diversity. To embody the MUFG Way, we have also positioned "Integrity and Responsibility," "Professionalism and Teamwork" and "Challenge Ourselves to Grow" as values to be shared by all employees as defined by the MUFG Human Resources Principles, which serve as

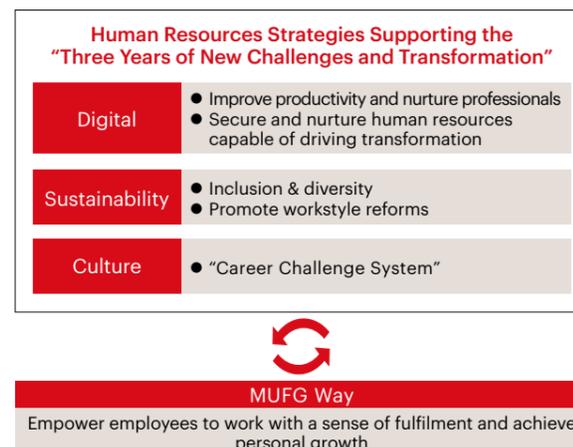
the basis for human resources management. Based on these principles, all Group companies engage in the planning and implementation of their respective human resources management policies.

To see the full text of the MUFG Human Resources Principles, please visit our corporate website.  
<https://www.mufg.jp/english/csr/policy/>

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

Over the course of the three years from fiscal 2018 to fiscal 2020, we have promoted the development of our human resources management platform and the framework supporting MUFG's groupwide, integrated management. First, we consolidated the human resources divisions of the Bank, the Trust Bank and the Securities at a single location to step up internal collaboration within the Group. Then, from fiscal 2019 to fiscal 2020, we pushed ahead with revisions of human resources systems in place at these three key domestic Group entities. In line with the MUFG Human Resources Principles, these revisions were focused on nurturing professionals and realizing purely performance-based staff management and treatment to support business model reforms. Moreover, the development of our human resources management platform resulted in a growing number of human resources allocations and exchanges that transcend boundaries between Group companies. Overseas, we similarly engaged in the unification of human resources systems in place for employees at the Bank and the Securities in order to shift from region-based management to business-based management. In addition, we expanded the scope of operations covered by our global human resources management structure to include overseas bases. Thus, we completed the function-based realignment of our management structure.

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



## Improve Productivity and Nurture Professionals

During the period leading up to the end of fiscal 2023, we expect a reduction in the individual workload due to such factors as increased use of digital technologies to be accompanied by natural attrition in our employee headcount. Accordingly, we deem it important to redirect our human resources toward high-value-added operations and empower them to achieve higher performance as professionals. To this end, we aim to enhance operational efficiency and improve productivity via the incorporation of "smart" work styles and the digital shift.

for specialists in compliance, internal auditing, legal affairs and other governance-related fields that require a high level of expertise in addition to specialized digital and cybersecurity skills. We also need to secure human resources well-versed in wealth management, large corporate business requiring sector specialists and other fields in which MUFG aims to expand its operations. With this in mind, we will enhance human resources systems supporting our strategies in these fields while taking a groupwide, integrated approach to realize flexible staffing.

Today, our employees are being called on to enhance their knowledge and skills in their respective business fields. With this in mind, we will promote human resource development and exchange on a groupwide basis while stepping up the specialty-focused recruitment of new graduates and individuals with external experience. In particular, we anticipate a growing need

In the face of a constantly shrinking total headcount due largely to natural attrition, we will also develop a performance-based employee evaluation system that empowers diverse human resources to achieve greater career success than before regardless of their gender or age and thus accelerate the appointment of employees based on the performance.

## Nurture and Secure Human Resources Capable of Driving Transformation

### Nurturing Digital Specialists

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

### Nurturing and Securing Specialist Human Resources

MUFG is pushing ahead with nurturing and securing genuine professionals equipped with sophisticated skills and strengths in their areas of specialty. As the expansion into new business fields requires a robust pool of employees who have specialist competencies and are ready to operate in such fields, we are also active in hiring external human resources.

In fiscal 2019, MUFG, as the holding company, also launched an employment framework aimed at directly hiring in-house and external human resources with competencies in operational fields that require highly sophisticated specialist expertise and are commonly handled by multiple Group subsidiaries. Under this framework, candidates are offered wages linked with external market benchmarks. There has been a progress in hiring specialists mainly in the field of governance and wealth management.

In fiscal 2020, we decided to allow Group employees to voluntarily apply for inclusion in this framework. This employment framework provides yet another career path for those who aim to fully take advantage of their specialist strengths on a groupwide basis, enabling them to pursue career ambitions in a way that transcends conventional human resources practices.

### Nurturing Global Human Resources

Today, the MUFG Group has expanded into more than 50 countries around the globe, and approximately 52% of its entire workforce is accounted for by overseas employees (as of May 31, 2021). As we aim to secure and nurture professionals in a variety of fields at home and abroad, we are employing a globally unified human resources platform supporting robust processes for title management, employee evaluation, wage determination and other human resources practices that are consistent with market standards.

Also, we began implementing job-level based training programs on a global basis to ensure all Group members understand the MUFG Way and embrace a shared culture. For example, we provide the Global LEAD Program targeting those in managing director or similar positions at the Bank, Mitsubishi UFJ Morgan Stanley Securities, Krungsri, MUFG Union Bank and other Group companies to help such individuals acquire essential leadership knowledge as well as necessary perspectives and in-depth expertise on global operations.

Today, a growing number of individuals hired overseas have been promoted to managerial posts. For example, 13 of these individuals, including three women, have assumed executive officer positions at the Bank (as of March 31, 2021).

### Programs Aimed at Nurturing Digital Specialists (the Bank)



### Securing Future Top Management Candidates

In fiscal 2018, we opened MUFG University to offer training programs specially designed to nurture future top management candidates on a groupwide basis. To date, more than 600 employees have completed these programs. Targeting a range of employees from line managers to newly appointed executive officers, MUFG University not only helps these individuals enhance their management skills but also provides curriculums incorporating liberal arts education and other programs aimed at instilling even broader perspectives and open-minded ways of thinking.

We also maintain a coaching skill improvement program targeting general and branch managers in Japan. This program is designed to help managers better understand how to encourage their team members to employ their unique strengths, realize their full potential and take on the challenge of venturing into new fields, with the expectation that such initiatives will further improve employee engagement.

## Human Resources Strategy

### Inclusion & Diversity

We consider diversity an essential value enabling us to maintain organizational resilience in a time of rapid change. Accordingly, MUFG has positioned “Inclusion & Diversity” as one of the 10 priority issues to be tackled via sustainability management. Thus, we are striving to develop and foster an organization and culture in which employees with diverse values, backgrounds and perceptions of work can respect and inspire each other while freely pursuing personal growth and career success.

In line with the new MTBP, top management is committed to achieving a target<sup>\*1</sup> of raising the ratio of women in management<sup>\*2</sup> in Japan to 18% by March 31, 2024. Having upgraded our conventional target, this new target places greater emphasis on increasing the ratio of women in senior managerial positions. Through the pursuit of this target, we will ensure that diverse perspectives and a sense of values are reflected in decisions made by employees hierarchically closer to top management.

As of April 2021, a total of 20 women, including four foreign nationals, are serving as directors or executive officers at MUFG, the Bank, the Trust Bank, Mitsubishi UFJ Morgan Stanley Securities or NICOS. For women in senior management positions, we provide special training programs for selected employees while maintaining a mentoring program. In this way, we help raise women’s awareness of the possibility of becoming officers and

encourage the acquisition of sophisticated management skills. Thanks to these efforts, MUFG was chosen to bear the *Nadeshiko* brand in 2021.

Moreover, in 2020 MUFG was granted the highest “Gold” rating in the PRIDE Index, which evaluates companies’ LGBTQ inclusivity efforts, in recognition of its initiatives, including the introduction of a same-sex partnership recognition program.

In addition to promoting gender diversity, we are pushing ahead with the employment of people with disabilities while promoting foreign nationals and employees hired from external sources to managerial positions. Furthermore, we support employees struggling to strike a balance between work and child rearing, nursing care or infertility treatment. Through these and other initiatives, we strive to empower diverse human resources to thrive. We also implement periodic e-learning programs for all employees to call their attention to and address issues arising from unconscious biases, which can inhibit the promotion of inclusion & diversity.

<sup>\*1</sup> A joint numerical target to be achieved together by the Bank, the Trust Bank and MUMSS

<sup>\*2</sup> Ratio of women in line manager or higher positions

### Promoting Work Style Reforms

MUFG has positioned promoting work style reforms as one of the 10 priority issues to be addressed via sustainability management. As we aim to enable employees to realize their full potential, we have promoted the revision of administrative procedures and the streamlining of meeting practices while going paperless and developing infrastructure for remote working. By doing so, we help employees allocate more time to engaging in direct communications with customers and taking on new challenges.

Currently, a growing number of employees are opting for remote working due to the spread of the COVID-19 virus. Against this background, the number of satellite offices, which utilize vacant

space in domestic branches and other facilities, that we maintain grew from seven in 2019 to 33. Looking ahead, we will support employees’ free choice of flexible work styles.

Based on the assumption that remote working will gain a certain degree of popularity, we are planning to rebuild the main building of the Bank and consolidate the headquarters functions of the holding company, the Bank, the Trust Bank and the Securities at this facility. This move to construct a new MUFG headquarters building is expected to enhance our groupwide, integrated management approach and serve as a place for innovation by gathering together and enabling interaction among diverse individuals.

### Career Challenge System

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

For example, the Job Challenge program helps applicants take on new missions within the Group, while the New Business Proposal program allows employees to launch the new services and

products they propose. Also, we proactively assist employees in their pursuit of external business experience they cannot gain within the Group. Specifically, the Open EX program provides applicants with opportunities to work at startups and other external corporations. Moreover, the Challenge Leave program grants leave for a certain period of time to those wishing to study abroad, acquire certification or pursue other dreams.

### Career Challenge System

Program	Details	Fiscal 2020 results	Fiscal 2023 targets
<b>Job Challenge</b>	An in-house posting system targeting Group employees. Covering the extensive scope of business fields the MUFG Group encompasses, this system offers opportunities for applicants to take on tasks that align with their desires regardless of which Group entity they belong to.	773 applicants <sup>*1</sup>	1,275 applicants <sup>*1</sup>
<b>New Business Proposal</b>	This program solicits proposals from employees with regard to new services, products and operational improvements, thereby providing employees whose proposals are selected with opportunities to launch and spearhead proposed initiatives.	386 applicants <sup>*2</sup>	
<b>Open EX</b>	This in-house posting program was developed to provide employees with opportunities to be seconded to startups or other external corporations as MUFG’s human resources evaluation criteria attach greater importance to possessing a broad range of business experience and knowledge about diverse corporate cultures.	17 employees <sup>*2</sup>	100 employees <sup>*2</sup>
<b>Challenge Leave</b>	This system supports employees’ pursuit of their dreams or personal growth, which may include becoming an entrepreneur, studying abroad, acquiring certification or getting elected to a public office, by granting leave for a certain period of time.	15 employees <sup>*3</sup>	

<sup>\*1</sup> The Bank, the Trust Bank and MUMSS <sup>\*2</sup> The Bank <sup>\*3</sup> The Bank and the Trust Bank

### Projects Undertaken via the New Business Proposal Program Based on Employee Proposals

The Bank, the Trust Bank and the Securities maintain the New Business Proposal program, which enables employees to launch new services or products or to create innovative options for operational improvement based on their own ideas and what they really want to do. Here, we showcase examples of projects that started from employee proposals.

#### An asset management app that can be shared with a partner



**Hanako Mori**

The Bank

Having participated in a group work discussion as part of non-mandatory digital skill training, I conceived the idea of creating an asset management app. I applied for the program as I wanted to realize this idea. I hope to develop a convenient app capable of supporting users’ infrastructure of daily life and enable them to enjoy the shared use and shared ownership of assets with a partner.

#### Real estate cloud funding



**Wataru Aso**

The Trust Bank

As a fund manager, I deal with the interest rate market, and I began to think that individual customers should be given access to investment opportunities with fixed yield and maturity. I will strive to commercialize real estate cloud funding that provides fixed yields of 2% to 4%.

#### Helping SMEs shift to internal manufacturing



**Norihiro Yamaki**

The Bank

Acting as a relationship manager (RM), I have striven to meet M&A needs among SMEs. In the course of doing so, I began thinking I wanted to develop a framework for better utilizing the Bank’s customer base. Taking advantage of my perspective as a frontline RM, I will work to develop a new M&A promotion structure.

#### Developing a super-app for financial education for parents and children



**Rieko Arai**

The Securities

My proposal began with my wish to create a financial education app for my child. I would like to develop an app capable of facilitating parent-child communications, with service lineups finely tuned to meet the diverse needs of differing age groups. By doing so, I want to create a super app that can be used by a broad range of people from children to adults.

# Sustainability Initiatives

## Promoting Sustainability Management

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

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

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

Also, with the aim of promoting sustainability finance, we upwardly revised our sustainable finance goals for the period leading up to fiscal 2030 from a cumulative total of ¥20 trillion with ¥8 trillion

earmarked for environment to ¥35 trillion with ¥18 trillion being set aside for environment. Under the initiative of the Sustainable Business Division, a body tasked with taking a cross-sectional approach to promoting sustainable businesses, we will continue to act as an arranger of financing for renewable energy projects, an area in which we have been particularly active, while underwriting Green Bonds. Moreover, we will strengthen our structure and initiatives associated with innovative hydrogen and next-generation energy projects to secure our presence in these fields.

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

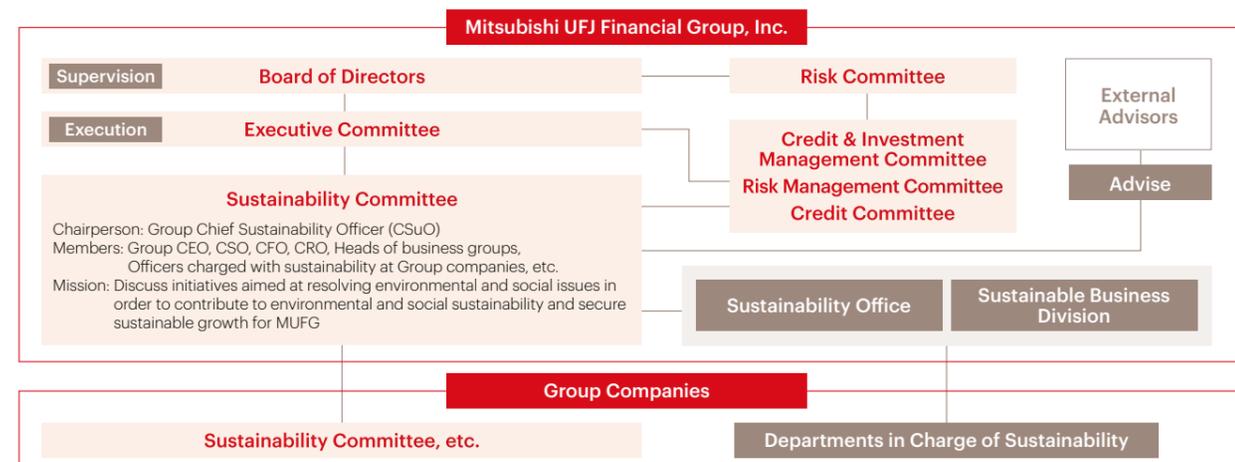
With regard to corporate governance, we have made it a rule that the Board of Directors approve all changes in the MUFG Environmental Policy Statement and the MUFG Human Rights Policy Statement. Furthermore, we have incorporated ESG elements into the criteria for determining executive compensation.

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

## Promotion Structure for Sustainability Management

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

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



## Message from the Chief Sustainability Officer (CSuO)



**Yutaka Miyashita**

Managing Corporate Executive, Group CSuO & Group CSO

In line with the new Medium-Term Business Plan (MTBP) launched in fiscal 2021, we consider "Corporate Transformation" a strategic pillar requiring the foremost priority. Along with digital transformation (DX), practicing sustainability management by, for example, robustly tackling climate change, is key to driving this transformation. To this end, we must enhance corporate governance while strengthening our focus on addressing ESG issues through corporate activities. These endeavors will, in turn, enable us to help create a sustainable society, empower customers to achieve growth and, of course, enjoy sustainable growth ourselves.

In the course of formulating the new MTBP, we freshly identified 10 priority issues encompassing environmental and social issues that must be addressed via MUFG's business operations. These issues are now incorporated into business strategies, with each business group pursuing its own strategic measures addressing specific environmental and social issues. Rallying the entire strength of the Group, we are thus striving to help resolve various issues society is now confronting, with the aim of embodying our Purpose and empowering our stakeholders to take the next step forward.

Among our priority issues, we have defined "Climate change measures & environmental protection" as a matter of the utmost importance. To date, we have been proactively tackling climate change problems by, for example, participating in global initiatives in addition to formulating and updating the MUFG Environmental Policy Statement and the MUFG Environmental and Social Policy Framework. On the other hand, the Japanese government announced its carbon neutral declaration, while the United States rejoined the Paris Agreement following the inauguration of the new administration. As such, the global trend toward the creation of a decarbonized society is gaining significant momentum. Against this background, we publicized the MUFG Carbon Neutrality Declaration in May 2021. Through this declaration, we became the first Japanese bank to publicize a voluntary target of achieving net zero greenhouse gas emissions from its financed portfolio by the end of 2050. This declaration represents the first step in our efforts to become a leading financial institution in terms of climate change measures. Moreover, having become a member of the Net-Zero Banking Alliance alongside other major global financial institutions, we are currently striving to determine the details of the relevant initiatives that all Group companies, including overseas partner banks, will rally together to pursue. We will thus push ahead with efforts to contribute to the realization of the goals of the Paris Agreement.

As we aim to be an active contributor to the virtuous cycle of environmental and economic improvement and the resulting creation of a sustainable society, we also deem it important to maintain constructive dialogue and engagement with customers. With this in mind, our representatives have sat in

dialogue with customers on a number of occasions to assist them in their decarbonization initiatives. In addition to ensuring the shared understanding of present issues via such dialogues, we are working to acquire the latest insights regarding advances in decarbonization technologies. Through these efforts, we are ensuring our ability to offer robust assistance to the pursuit of the technological innovation necessary to realize decarbonization while supporting business transitions undertaken by corporate clients. Taking full advantage of MUFG's comprehensive financial functions, we will thus step up our "Climate change measures & environmental protection" initiatives.

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

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

Sustainability Initiatives

# Climate Change Measures & Environmental Protection

## MUFG Carbon Neutrality Declaration

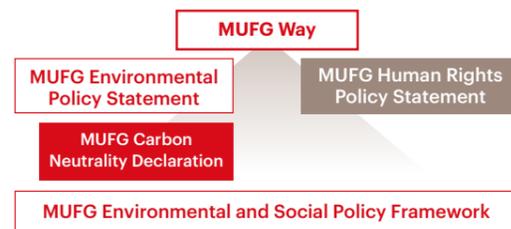
**Net zero greenhouse gas (GHG) emissions from our financed portfolio by 2050**  
**Net zero GHG emissions in our own operations by 2030**

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

MUFG will strive to achieve net zero in terms of GHG emissions from its investment and financing portfolio by the end of 2050

and in its own operations by the end of 2030. Moreover, we will continue the timely and appropriate disclosure of information regarding progress in our initiatives to achieve these targets.

### Positioning of the MUFG Carbon Neutrality Declaration



## Main Approaches to Achieve Carbon Neutrality

### Commit to achieve decarbonization through financial services

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

### Promote decarbonization via MUFG's own efforts

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

### Set targets to align with the goals of the Paris Agreement and expand and improve transparency of information disclosure

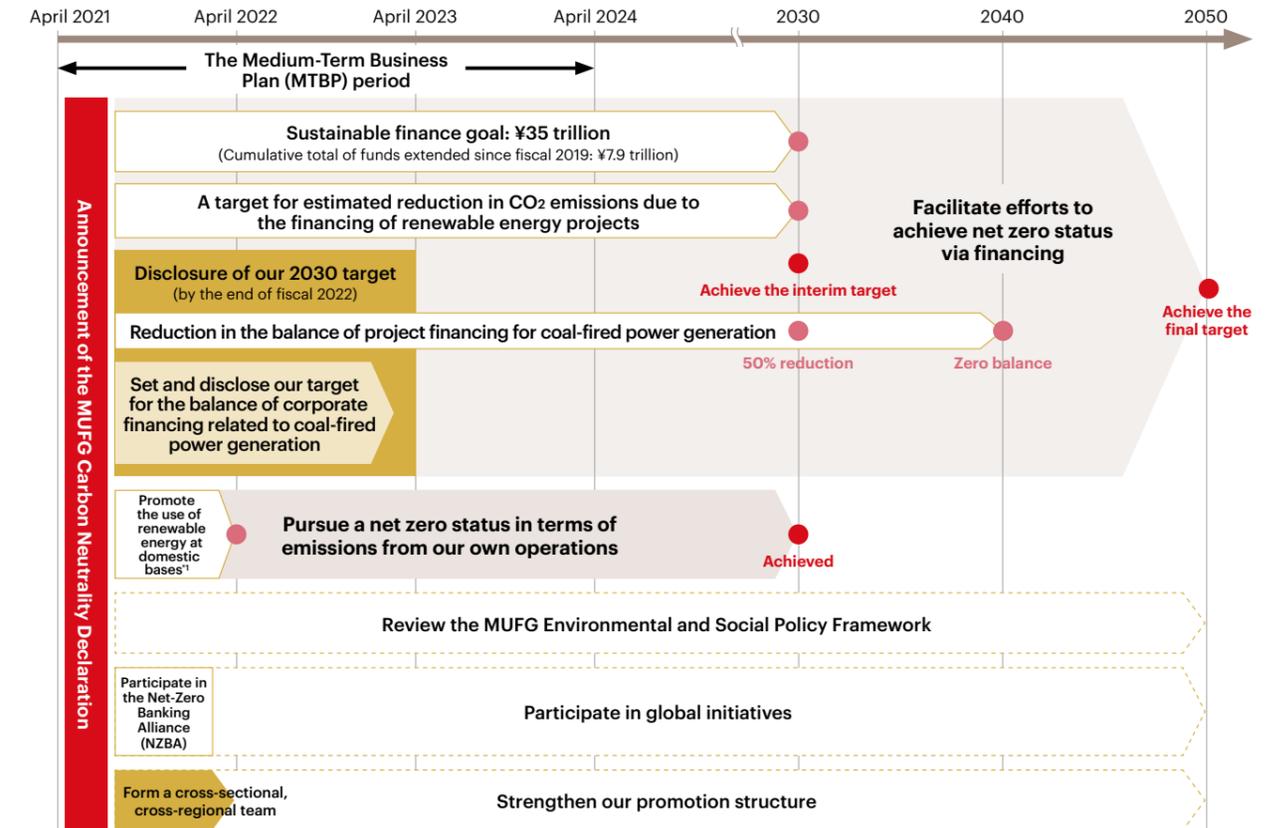
- Set targets consistent with the Paris Agreement based on scientific approaches such as SBT<sup>1</sup> ..... Page 82
- Enhance the content of information disclosure based on recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) (e.g., expand the scope of the sector subject to scenario analysis) ..... Page 81

### Enhance our organization to achieve carbon neutrality

- The Board of Directors was made responsible for any changes in the MUFG Environmental Policy Statement ..... Page 79
- Reflect ESG elements in MUFG's executive compensation ..... Pages 79 and 95

<sup>1</sup> Science Based Targets

## A Roadmap for Achieving Carbon Neutrality



<sup>1</sup> Domestic bases of the Bank, the Trust Bank and the Securities

## Striving for Carbon Neutrality

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

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

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

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



Representatives from the university and MUFG pose for a picture at a ceremony held for the presentation of the agreement in the university's Yasuda Auditorium (including Mr. Teruo Fujii, President of The University of Tokyo and Mr. Hironori Kamezawa, Group CEO)

Sustainability Initiatives

# Climate Change Measures & Environmental Protection

(Disclosure Based on TCFD Recommendations)

## Governance

### The Board of Directors' Supervision of MUFG's Climate Change Measures

At MUFG, the Sustainability Committee, which operates under the Executive Committee, is charged with periodically deliberating policies on and determining the status of the Group's response to opportunities and risks arising from climate change and other environmental and social concerns.

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

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

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

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

### External Advisors Supporting MUFG's Initiatives to Address Environmental and Social Issues

MUFG maintains two advisor positions to which it appoints external specialists representing the environmental and social

fields to engage in the exchange of opinions with members of the Board (for more details, please refer to page 90). By doing so, we incorporate insights from outside experts into our climate change-related initiatives.

### Revision of the MUFG Environmental Policy Statement

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

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

### Executive Compensation Reflecting External ESG Evaluation

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

### Main Items Discussed by and Reported to the Board of Directors (Fiscal 2020)

- MUFG's approach to sustainability management
- Promotion of sustainable businesses via financing for renewable energy projects, the underwriting of green, social and sustainability bonds and the pursuit of responsible investment
- Carbon neutrality initiatives
- MUFG's approach to transition finance and its in-house promotion structure
- Revision of the MUFG Environmental and Social Policy Framework
- Prioritization of various risks arising from climate change and future initiatives

solutions for sustainable businesses. This body is expected to play a central role in MUFG's efforts to promote sustainable businesses and, to this end, will be tasked with engaging in dialogue with government agencies and industrial associations while handling missions ranging from research, strategic planning and solution development to business execution. In addition to addressing sustainability issues in Japan, the division will act in close collaboration with individuals in charge of ESG overseas, share information and insights with them and employ a cross-regional approach to promote sustainable businesses.

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

### Pushing Ahead with Climate Transition and Innovation Support

With the aim of facilitating the realization of a sustainable society via a virtuous cycle of environmental and economic improvement, we intend to extend strong support to the pursuit of technological innovation in such fields as renewable energy, hydrogen and next-generation energy and carbon recycling.

In terms of supporting climate transition, we have been proactively engaged in dialogue mainly with customers in the energy and utility sectors. Looking ahead, we will also reach out to

those in the transportation, steelmaking, non-ferrous metals, chemicals and other sectors, with staff at the Sustainable Business Division and others in charge of sales at home and abroad playing a key role in upgrading MUFG's relevant initiatives.

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

### Main Initiatives

- Acted as a finance arranger for some of the world's largest renewable energy projects, including the Dogger Bank Wind Farm, an offshore wind power generation facility capable of supplying energy equivalent to approximately 5% of the United Kingdom's overall energy demand
- Extended a Sustainability Linked Loan to Thai Union, a major seafood processing firm in Thailand in tandem with Krungsri (Bank of Ayudhya)
- Establish a renewable energy fund worth a total of around ¥100 billion to invigorate the renewable energy market, creating Japan's first financial framework that comprehensively supports green energy in all aspects of businesses ranging from generation to purchase
- Extended a loan to FirstElement Fuel, Inc., California's largest hydrogen station operator, to help it construct a new hydrogen station

### Response to Climate Change-Related Risks—Transition and Physical Risks

MUFG is reviewing existing risk categories to understand the impact of climate change, developing scenarios for physical and

transition risk and enhancing the approach for disclosures in accordance with the TCFD recommendations to identify, assess and manage climate change-related risks.

Risk categories	Examples of transition risk	Examples of physical risk	Time frame <sup>1</sup>
<b>Credit risk</b>	● Our corporate clients' business activities and financial positions may be negatively affected if they fail to live up to government policies, regulatory requirements, customer requests or evolving trends in technological development.	● Extreme weather may cause direct damage to assets held by our corporate clients and/or have a negative spillover effect on their business activities and financial positions by indirectly impacting their supply chains.	Short- to long-term
<b>Market risk</b>	● The transition to a decarbonized society may negatively impact certain business sectors, making the value of relevant securities held by MUFG and/or financial instruments deriving from them highly volatile.	● The impact of extreme weather may induce market turmoil and make the value of securities held by MUFG highly volatile. ● The value of securities held by MUFG may become volatile due to changes in market participants' medium- to long-term outlook on the impact of extreme weather and their expectations regarding countermeasures against the phenomenon.	Short- to long-term
<b>Liquidity risk</b>	● If its credit ratings deteriorate due to such factors as delays in its response to transition risks, MUFG may face limitations on methods for funding from the market and thus growth in risks associated with fundraising.	● Corporate clients suffering damage from extreme weather may choose to withdraw their deposits or heavily utilize commitment lines to secure funds for reconstruction, leading to a growing volume of cash outflows from MUFG.	Short- to long-term
<b>Operational risk</b>	● Spending on capital investment may grow due to the need for measures aimed at reducing CO <sub>2</sub> emissions and enhancing business continuity capabilities.	● Extreme weather may cause damage to MUFG's headquarters, branches and/or data centers and lead to the disruption of their operations.	Short- to long-term
<b>Reputation risk</b>	● If MUFG's plans and efforts to realize carbon neutrality are deemed inappropriate or insufficient by external stakeholders, it may suffer from reputational damage. ● MUFG may suffer from reputational damage and/or deterioration in its status as an employer due to the continuation of relationships with business partners that fail to give due consideration to environmental concerns or delays in its transition to decarbonization.	● If MUFG's efforts to support customers and communities affected by extreme weather are deemed insufficient, it may suffer from reputational damage or a resulting disruption of operations.	Short- to long-term
<b>Strategic risk</b>	● If MUFG fails to live up to its public commitment to supporting the transition to a decarbonized society, its capabilities for strategic execution may be negatively affected by a deterioration in its reputation.	● MUFG may fail to meet the goals of its strategies and plans if it fails to properly factor in the direct impact of extreme weather in the course of long-term management planning.	Medium- to long-term

<sup>1</sup> Short-term: less than one year; medium-term: one to five years; long-term: more than five years

Sustainability Initiatives

Climate Change Measures & Environmental Protection (Disclosure Based on TCFD Recommendations)

**Strengthening Scenario Analysis**

Since 2019, MUFG has analyzed multiple scenarios in order to assess how its credit portfolio could be affected by climate change-related risks. These scenarios include the "2°C scenario" published by the International Energy Agency (IEA).

With regard to the assessment of transition risks, we have analyzed the energy and utility sectors, which are both defined as carbon-related assets under the TCFD recommendations. As a result, the monetary impact of such risks during the period from 2020 to 2050 has been estimated at ¥1.0 billion to ¥9.0 billion per year. Moreover, we have assessed physical risks by analyzing flooding risk, which has become one of most profound physical risks arising from climate change due to its growing frequency

and increasing magnitude of damage. This analysis confirmed that the impact of flooding risk will amount to a cumulative total of approximately ¥38.0 billion over the period leading up to the end of 2050.

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

**Risk Management**

**Inclusion of Climate Change-Related Risks in the Risk Appetite Statement**

In fiscal 2021, we included climate change-related risks in our Risk Appetite Statement. This move is intended to help develop, maintain and upgrade our structure for appropriately managing climate change-related risks.

**Positioning of Climate Change-Related Risks in Enterprise Risk Management**

MUFG has positioned climate change-related risk as one of the Top Risks that it must pay close attention to for the year ahead and going forward (for more details, please refer to page 101).

**Management of Environmental and Social Risks in the Course of Financing**

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

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

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

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

Sectors	2018	2019	2020	2021	Details of revisions
Coal-fired power generation	Established	Revised		Revised	Introduced a prohibition against financing for coal-fired power generation projects, including for the expansion of existing facilities, while clarifying a policy of applying stricter criteria to individual projects
Forestry		Established		Revised	
Palm oil		Established		Revised	
Mining (coal)		Established			Incorporated clauses for the confirmation of our client's non-engagement in illegal logging or deforestation in areas of high conservation value
Oil and gas (oil sand and development of the Arctic)			Established		Incorporated clauses mandating our clients to declare their adherence to No Deforestation, No Peat, No Exploitation (NDPE) principles or submit action plans toward such declaration
Large-scale hydroelectric power generation			Established		

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

**Metrics and Targets**

**Volume of GHG Emissions from Investment and Financing Portfolio (Scope 3)**

Currently, MUFG is working to formulate an interim target to be achieved by the end of 2030 toward the realization of net zero emissions from its investment and financing portfolio by the end of 2050. We intend to disclose such interim target by the end of fiscal 2022.

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



<sup>1</sup> Science Based Targets initiative <sup>2</sup> Partnership for Carbon Accounting Financials

**Volume of GHG Emissions from MUFG's Operations (Scope 1 & 2)**

By the end of 2030, we aim to achieve a net zero status in terms of GHG emissions from our own operations. To begin with, we will raise the ratio of renewable energy to purchased energy used by domestic offices and branches of the Bank, the Trust Bank and the Securities to 100% by the end of fiscal 2021.

**Volume of CO<sub>2</sub> Emissions from the 5 Primary Domestic Group Companies (the holding company, the Bank, the Trust Bank, the Securities and NICOS)**

(t-CO <sub>2</sub> )	fiscal 2019	fiscal 2020 (provisional)
Scope 1	9,963	9,555
Scope 2	184,287	161,554
<b>Total</b>	<b>194,250</b>	<b>171,109</b>

**Results vis-à-vis Metrics and Targets**

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

Metrics	Targets/results
<b>Sustainable finance</b>	Target: Extend a cumulative total of ¥35 trillion from fiscal 2019 to fiscal 2030 (of this, ¥18 trillion for environment) Results: Extended a cumulative total of ¥7.9 trillion from fiscal 2019 to fiscal 2020 (of this, ¥3.5 trillion for environment)
<b>Credit amounts related to coal-fired power generation Project finance (balance of lending)</b>	Target: Reduce the balance 50% by the end of fiscal 2030 from the fiscal 2019 level and reduce it to zero targeting by fiscal 2040 <sup>1</sup> Results: US\$3,774 million (as of the end of fiscal 2020) <sup>2</sup>
<b>Credit amounts related to coal-fired power generation Corporate finance</b>	Results: The credit amounts for corporate customers, whose coal-fired power generation projects account for more than 30% of their business (based on net sales or EBITDA), was approximately ¥850.0 billion (as of September 30, 2020) We aim to set and disclose the portfolio target by the end of fiscal 2022
<b>New targets (established in May 2021) Set CO<sub>2</sub> reduction target via renewable energy project financing<sup>3</sup></b>	Target: 70 million tons (cumulative total from fiscal 2019 to fiscal 2030) Equivalent to annual CO <sub>2</sub> emissions from approximately 50% of all households in Japan Results: 14.55 million tons (cumulative total from fiscal 2019 to fiscal 2020)
<b>CO<sub>2</sub> emissions intensity index associated with project finance in the power generation business<sup>4</sup></b>	Results: 0.385 (fiscal 2019) / 0.242 (fiscal 2020) (Unit: t-CO <sub>2</sub> /MWh)
<b>Newly disclosed metrics Carbon-related assets<sup>5</sup> (credit amounts<sup>6</sup>)</b>	Results: ¥15.7 trillion in total (energy sector: ¥8.0 trillion; utility sector: ¥7.7 trillion) (As of the end of fiscal 2020) Note: The project financing portfolio for coal-fired power generation with high environmental impacts was approximately ¥400.0 billion. The credit amounts for corporate customers, whose coal-fired power generation projects account for more than 30% of their business (based on net sales or EBITDA), was approximately ¥850.0 billion (as of September 30, 2020). We will pay close attention to the status of transition initiatives undertaken by these corporate clients while engaging with them to ensure that those exposed to high transition risk are encouraged to make improvements.

	Fiscal 2019-end		Fiscal 2020-end	
	Proportion	Value	Proportion	Value
Energy	2.8%	Approximately ¥2.8 trillion	2.9%	Approximately ¥2.9 trillion
Utility	3.4%	Approximately ¥3.4 trillion	3.1%	Approximately ¥3.1 trillion

<sup>1</sup> Projects that contribute to transition to a decarbonized society are exceptional according to the MUFG Environmental and Social Policy Framework  
<sup>2</sup> As of the end of fiscal 2019: US\$3,580 million  
<sup>3</sup> Cumulative annual CO<sub>2</sub> reduction effect from renewable projects MUFG has provided finance in the fiscal year, calculated based on generation capacity, capacity factor and emission factor. The value is after taking into account the share of MUFG's loan arrangement or underwriting amount.  
<sup>4</sup> Including thermal power generation using fossil fuel (coal, oil and gas) and renewable energy generation businesses  
<sup>5</sup> In accordance with the TCFD recommendations, excluding the credit amounts related to renewable energy power generation projects from total credit amounts related to the energy and utility sector portfolio  
<sup>6</sup> Total of loans, trade finance, letter of credit & guarantees and undrawn commitment facility, etc.

## Sustainability Initiatives

## Addressing Issues Society Is Now Confronting

MUFG aims to help resolve environmental and social concerns and thereby contribute to the creation of a sustainable society and, to this end, takes full advantage of its functions as a financial institution while engaging in social contribution activities. Here, we showcase some examples of our current initiatives as well as products and services designed for this purpose.

## Response to Aging Population &amp; Low Birthrate

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

## Supporting Asset Building and Management

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

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

## Supporting Smooth Asset and Business Succession

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

## Inclusion &amp; Diversity

We consider diversity an essential value enabling us to maintain organizational resilience in a time of rapid changes.

Accordingly, MUFG is striving to create an environment in which diverse employees can direct their energies into working with a sense of fulfillment while using its financial functions to facilitate

## Addressing Issues Arising from an Ultra-Aging Society

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

Aiming to support customers who suffer from deteriorating cognitive and judgment capacities, we also offer a free appointment-based proxy services that enables such customers to smoothly undertake financial transactions, such as making deposits and selling investment products via the use of a groupwide, integrated approach involving the Bank, the Trust Bank and the Securities. This service is but one example of our strengthened focus on addressing issues arising from an ultra-aging society.



Example of Screen Layouts of the "Family Note -app- by MUFG"

gender diversity across society and help resolve issues minorities are confronting.

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

## Developing Social Infrastructure

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

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

## Supporting Industrial Development &amp; Innovation

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

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

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

## Ensuring Equal Access to Financial Services

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

We believe that access to financial services is a means of enriching our lives, and as one of the efforts to achieving that end, Krungsri (Bank of Ayudhya), a partner bank in Thailand, provides microfinance through its subsidiary HATTHA Bank Plc. (HTB)\*1 which is located in Cambodia.

Also, MUFG Union Bank provides low and middle income households with products such as housing loans, including loans subsidized by the government, to enable them to secure

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

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

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

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



opportunities for house ownership. Moreover, MUFG Union Bank provides financial literacy education in an effort to help correct disparities affecting that part of society at a disadvantage due to information gaps.

\*1 Renamed from Hattha Kaksekar Limited in August 2020

## Results of HTB Microfinance in 2020

Number of transactions	184,490 (+9% year on year)
Outstanding loan balance	US\$1,323 million (+26% year on year)
Number of branches	177 (±0% year on year)

Sustainability Initiatives

Addressing Issues Society Is Now Confronting

Promoting Workstyle Reforms

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

To enable customers to undertake procedures from anywhere, we enhanced the functions offered by the "MUFG Biz" portal site for corporate clients, making it possible to confirm various

notifications online and request the shipping of forms necessary for paper-based procedures.

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

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

Response to Poverty

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

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

\*1 Japan CliniClowns Association, Learning for All and Chance for Children

Reduction of Educational Disparities

Believing that proper education is the bedrock of a stable society and empowers it to achieve sustainable economic development, we provide financial and economic education to help raise the general public's financial literacy as part of our mission as a financial institution. Since the emergence of the COVID-19 pandemic, we are more focused than ever before on offering educational assistance as the number of young people found to be negatively affected by inequality in educational opportunities has been growing amid the pandemic's fallout.

To address this inequality, in fiscal 2020 we contributed a total of ¥3.4 billion in donations for students wanting to continue learning but inhibited by the financial repercussions of the pandemic. By doing so, we assisted these young people in their pursuit of higher education and supported their livelihoods.



Ashinaga scholarship society (Ceremony of Presentation)

Overcoming Threats to Health

We also believe that maintaining public health is key to the constant improvement of how society functions and this, in turn, empowers people to enjoy sustainable economic activities. In line with this belief, the Bank co-founded a medical fund worth a total of ¥10.0 billion in tandem with Mitsubishi UFJ Capital, with the aim of assisting venture startups that pursue the creation of new pharmaceuticals and breakthroughs in regenerative medicine and other life-science endeavors, including the development of

COVID-19 countermeasures. In addition, Bank Danamon, our partner bank in Indonesia, has supported those who engage in activities to combat the spread of COVID-19 through donation of 4,000 pieces of personal protective equipment to healthcare workers and insurance coverage to 10,000 volunteers. Through such efforts, MUFG strives to help create a society in which all stakeholders feel safe and can stay healthy by offering its financial functions and engaging in social contribution activities.

ESG-Related External Recognition and Participation in Global Initiatives

ESG-Related External Recognition

Inclusion in ESG-Related Index



External Recognition of MUFG's Sustainability Initiatives



Participation in Global Initiatives

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



## Dialogue between Outside Directors and Institutional Investors

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

### Hirofumi Nomoto

Lead Independent Outside Director  
Chair of the Nominating and Governance Committee  
Member of the Compensation Committee

Chairman & Representative Director,  
TOKYU CORPORATION



### Keiko Honda

Outside Director  
Member of the Audit Committee

Former CEO of Multilateral Investment Guarantee Agency,  
World Bank Group

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

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

Also, for MUFG to improve ROE, the Company must meet the challenge of strengthening its earnings power on top of tightening control on expenses. To this end, each employee needs to have a sense of ownership regarding the execution of various measures and be prepared for a major shift in approach in terms of sales structure from protective to aggressive. This will, in turn, yield improvement in each individual's productivity and the added value of their operations.

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

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

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

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

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

### Do you think that MUFG's efforts to develop a structure for ensuring the effectiveness of its Board of Directors have been sufficient?

**Nomoto** I concurrently fill outside director positions at other companies and find MUFG's governance structure to be quite solid and steady. Also, the Company annually introduces measures to improve the Board's effectiveness. In sum, I highly appreciate MUFG's governance structure as it has been constantly upgraded. On the other hand, there is a room for improvement in terms of the selection of agenda items and the clarification of their degrees of importance. However, as directors receive robust educational sessions and prior briefings, I believe the Board of Directors is well-positioned to engage in in-depth discussion

within the limited time frame of the meetings. Moreover, thanks to the presence of outside directors, who make up the majority of the Board members, the Board's discussion involves an active exchange of diverse opinions that bring to bear the expertise and experience possessed by each individual.

Specific examples of the Board's success in exercising appropriate and sufficient supervisory functions include the execution of the system integration plan for NICOS and the revision of MUFG Union Bank's strategies. When these important matters were discussed in the Board room, outside directors, including myself, took a strict approach when scrutinizing the backgrounds and rationales for proposals from executives. As such, I always ask top management to clarify how it aims to resolve issues rather than simply answering questions from outside directors.

**Honda** In the course of deliberations regarding how to improve ROE, we outside directors similarly asked tough, in-depth questions on a number of occasions. In this light, the prevailing atmosphere in the Board of Directors is quite inclusive and I feel, as a newly appointed outside director, free to say what I really think. Moreover, the composition of the Board is diverse, including four women and two foreign nationals in a total of 16 directors. Thus, the Board's discussion involves the exchange of diverse ideas, with each attendee being open to listen to whatever their peers say. In addition, a four-day training session I was invited to attend as a newly appointed outside director helped me to contribute to vigorous discussion at Board of Directors meetings.

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

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

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

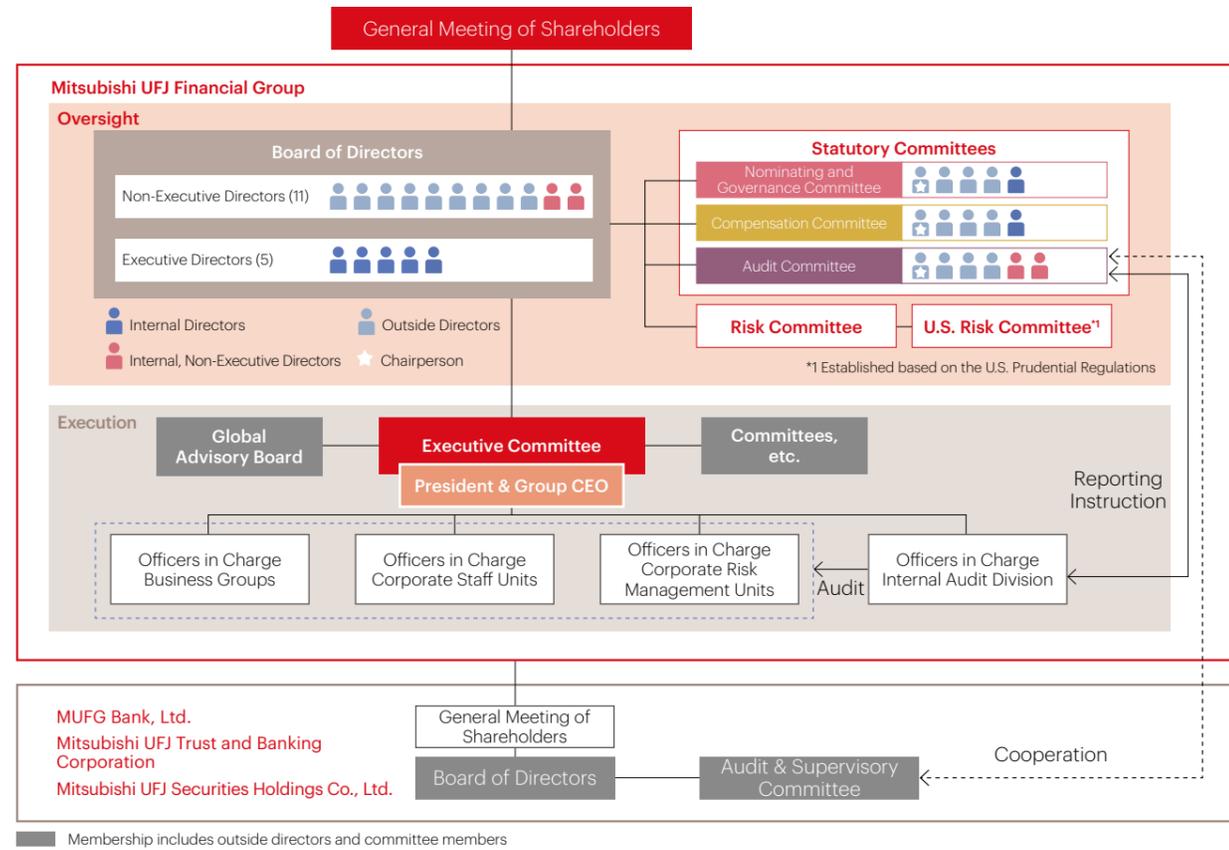
# Corporate Governance

## Basic Policy

In line with the MUFG Way, we strive to be “the world’s most trusted financial group” in the medium- to long-term and, to this end, have positioned properly developing and operating our corporate governance structure as one of management issues deserving the utmost priority. Since its establishment, MUFG has built a stable and effective corporate governance structure with an emphasis on ensuring external oversight. For example, the holding company adopted the “company with three committees”

structure to secure functional separation between management supervision and business execution, thereby strengthening the oversight function of its Board of Directors. Through these and other measures, we continually endeavor to develop a more effective and efficient governance system that will enable us to gain the understanding of stakeholders around the world regarding how we ensure robust corporate governance.

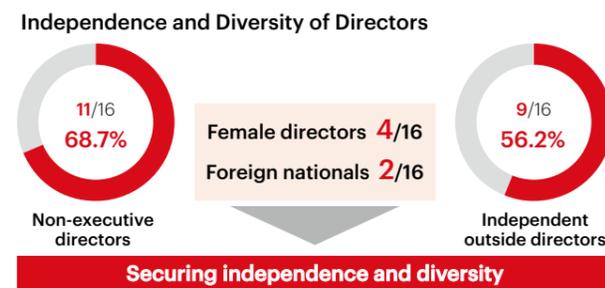
## Management Structure



## Board of Directors

MUFG’s Board of Directors consists of 16 directors, including individuals equipped with in-depth knowledge of its business operations as well as specialists boasting extensive insights in finance, financial accounting, risk management, legal compliance and other diverse areas of strengths. The Board’s composition is well-balanced and particularly focused on securing diversity in terms of nationality, gender and other attributes<sup>1)</sup> among its outside directors, who make up the majority of its overall membership.

<sup>1)</sup> Agreeing with the “Challenge Initiatives for 30% of Executives to be Women by 2030” led by the Nippon Keidanren to help domestic major enterprises to raise the ratio of female directors to 30% by 2030, MUFG is proactively promoting inclusion & diversity initiatives.



## Roles Outside Directors Are Expected to Fulfill

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

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

## List of Outside Directors

Name	Gender	Current position at MUFG and committee-related duties <sup>1)</sup>						Specialty			Reasons for appointment
		Nominating and Governance Committee	Compensation Committee	Audit Committee	Risk Committee	Corporate management	Finance	Finance & accounting	Legal affairs		
Mariko Fujii	Female	○	○	○	◎			●		Having worked for the Ministry of Finance, Ms. Fujii has been serving as a professor at the University of Tokyo’s Research Center for Advanced Science and Technology and ambassador extraordinary and plenipotentiary of Japan. She has thus accumulated specialist expertise in finance and economics while boasting extensive experience in these fields.	
Keiko Honda	Female			○				●		Having worked at McKinsey & Company, Inc. Japan, Ms. Honda served as CEO of Multilateral Investment Guarantee Agency of the World Bank Group. She has thus accumulated specialist expertise in finance and economics while boasting extensive experience in these fields.	
Kaoru Kato	Male	○	○	○				●		Mr. Kato has fulfilled a number of key management positions, including President & CEO and the Member of the Board of Directors and Corporate Advisor of NTT DOCOMO, INC. He is equipped with extensive experience as a corporate manager and invaluable expertise.	
Satoko Kuwabara	Female	○	◎						●	Ms. Kuwabara is equipped with extensive experience as an attorney and specialist expertise in corporate legal affairs in general.	
Toby S. Myerson	Male				○				●	Mr. Myerson boasts extensive experience as an attorney and is equipped with specialist expertise in corporate legal affairs and M&A.	
Hirofumi Nomoto	Male	◎	○					●		Having fulfilled a number of key management positions, including that of President & Representative Director of TOKYU CORPORATION, Mr. Nomoto boasts extensive experience and invaluable expertise as a corporate manager.	
Yasushi Shingai	Male			○	○			●	●	Mr. Shingai has fulfilled a number of key management positions, including Senior Vice President & CFO of Japan Tobacco Inc., Executive Vice President and Deputy CEO of JT International S.A., and Representative Director and Executive Vice President of Japan Tobacco Inc. He boasts extensive experience as a global corporate manager as well as specialist expertise in corporate finance, M&A and post-merger management integration.	
Koichi Tsuji	Male			◎					●	Mr. Tsuji is equipped with extensive experience as a certified public accountant and specialist expertise in accounting and audits.	
Tarisa Watanagase	Female				○			●		Having served as Governor of the Bank of Thailand, Ms. Watanagase boasts extensive experience and specialist expertise in finance and economy.	

<sup>1)</sup> ◎: Chairperson of the Committee; ○: Committee member

## External Advisors Supporting MUFG in Environmental and Social Fields

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

Rintaro Tamaki	President of the Japan Center for International Finance
Junko Edahiro	Professor, Graduate School of Leadership and Innovation, Shizenkan University, President, Institute for Studies in Happiness, Economy and Society, Founder and President, e’s Inc.

Corporate Governance

**Fiscal 2020 Initiatives Undertaken by the Board of Directors**

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

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

**Board of Directors' Annual Operation of a PDCA Cycle**



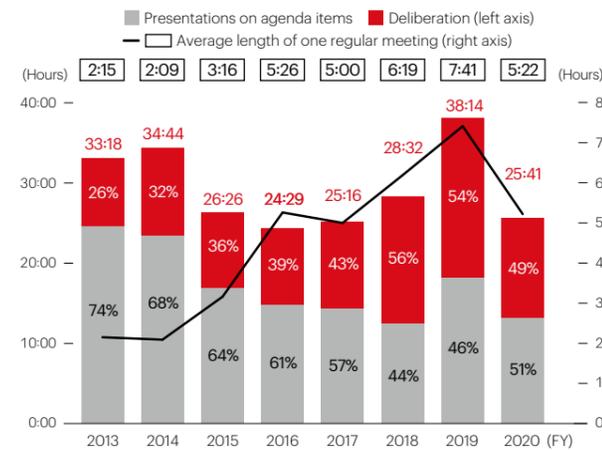
\*1 Monitoring and management of the status of issues identified by the Board of Directors

In addition to regularly receiving reports from the C-Suite, the Board began setting aside time to examine reports from business group heads, which helped the Board of Directors engage in diversified discussion of business strategies.

MUFG believes that insights offered by outside directors who are well-versed in its management strategies are essential to enhancing the content of discussions at the Board of Directors meetings. MUFG is therefore striving to ensure that outside directors are given sufficient information about agenda items by providing them with materials and giving presentations before meetings. In addition, outside directors have opportunities outside the Board and committee meetings to intensively deliberate on the MUFG Group's business strategies and issues. Moreover, we strive to secure robust communication between outside directors and MUFG's managerial positions by holding special meetings on multiple occasions.

In fiscal 2020, we held informational sessions aimed at updating outside directors about specific themes in addition to providing them with prior briefings as described above. As the formulation of the new MTBP was under way during said fiscal year, the Board was particularly focused on incorporating the opinions of outside directors through these endeavors.

**Length of Board of Directors Meetings (hours)**



**Fiscal 2020 Status of the Board of Directors Meetings**

	Board of Directors
Number of meetings	10
Attendance ratio (all directors)	100%
Attendance ratio (outside directors)	100%

**Agenda Items Discussed by the Board of Directors**

- New MTBP starting from fiscal 2021
- Financial targets and capital management policies
- Progress in corporate culture reforms
- Promotion of sustainability management (Response to climate change-related risks and opportunities, etc.)
- Response to the COVID-19 pandemic
- Internal audit plan
- Report from CRO, CCO and other C-Suite personnel
  - Risk status and initiatives in each risk area
  - Adherence to MUFG Group Code of Conduct, anti-money laundering, anti-bribery and other compliance-related initiatives
- Wealth management business
- Regional banking businesses in the United States and Asia
- Digitalization strategies
- Status of equity holdings reduction
- Cost structure reforms
- Status of groupwide organizational management

**Subjects Addressed at Board Educational Sessions**

- Status of MTBP formulation (the planning of overall and business group initiatives)
- Report from each business group head
- Business strategies for physical and digital channels
- Domestic securities business
- ROE analysis
- Status of response to the reforms of interest rate indices associated with LIBOR, TIBOR, etc.

**Evaluation Framework of the Working Practices of the Board of Directors' Operations**

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.

example, selecting themes truly requiring intensive discussion and optimally allocating time for discussing each agenda item based on the degree of its importance. The effectiveness of the Board of Directors' operations was thus confirmed.

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

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

In the course of the fiscal 2020 evaluation, interviews were undertaken in February and March 2021 and completed questionnaires collected. The evaluation determined that the Board of Directors succeeded in improving its mode of operations by, for

**Fiscal 2020 Evaluation of the Working Practices of the Board of Directors**

	Fiscal 2019 evaluation	Fiscal 2020 initiatives	Fiscal 2020 evaluation
<b>Evaluation</b>	Confirmed the improvement in efficiency of the Board of Directors' operations and the effectiveness		
<b>Issues to be addressed</b>	Need to maintain in-depth and meaningful discussion by the Board of Directors contributing to the enhancement of corporate value	<ul style="list-style-type: none"> <li>● Invigorated discussions at Board of Directors meetings and other sessions by, for example, selecting themes truly requiring intensive discussion</li> <li>● Effectively utilized board educational sessions</li> <li>● Increased opportunities for deliberations on MUFG's business portfolio</li> </ul>	<ul style="list-style-type: none"> <li>● Confirmed that the Board of Directors is better focused on addressing agenda items with greater importance</li> <li>● It is anticipated that the positive effect of the Board of Directors' operations will better position the executive team to exercise effective executive authority</li> </ul>
	Need to more robustly monitor the status of groupwide, cross-regional business strategies with an eye on the risks inherent in such strategies	<ul style="list-style-type: none"> <li>● Strengthened the supervisory structure for monitoring the status of business execution based on such input as reporting from C-Suite personnel</li> <li>● Further clarified the individuals responsible for execution</li> <li>● Stepped up collaboration between the Audit Committee of the holding company and Audit &amp; Supervisory committees at subsidiaries</li> </ul>	<ul style="list-style-type: none"> <li>● Confirmed signs of improvement in the Board of Directors' monitoring capabilities</li> </ul>
	Need to enhance the efficiency of the Board of Directors' operations	<ul style="list-style-type: none"> <li>● Selected important agenda items</li> <li>● Shortened meeting hours on a per-day basis</li> <li>● Enhanced the content of information offered via board educational sessions</li> <li>● Utilized a summary sheet attached to materials describing agenda items</li> </ul>	<ul style="list-style-type: none"> <li>● The focus of the Board's discussions has been made even clearer</li> <li>● Efforts to improve the efficiency of the Board's operations and increase opportunities for robust discussion have yielded progress</li> </ul>
	Need to facilitate ongoing initiatives to reform MUFG's corporate culture	<ul style="list-style-type: none"> <li>● Held town hall meetings between top management and employees</li> <li>● Discussed progress in corporate culture reforms at Board of Directors meetings</li> </ul>	<ul style="list-style-type: none"> <li>● Initiatives undertaken by executive team leaders were highly appreciated</li> <li>● Confirmed the importance of ongoing initiatives to achieve corporate culture reforms</li> </ul>
<b>Issues to be addressed</b>			<ul style="list-style-type: none"> <li>● Need for the further enhancement of the effectiveness of monitoring by the Board of Directors</li> <li>● Need for the further enhancement of functions offered by committees for the future</li> </ul>

**Outline of Committees and Their Fiscal 2020 Initiatives**

**Nominating and Governance Committee**

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

Main Initiatives
<ul style="list-style-type: none"> <li>The Committee deliberated the content of proposals to be submitted to the General Meeting of Shareholders with regard to the nomination of director candidates while discussing candidates for major management positions in the holding company and the Bank, including the latter's president.</li> <li>The Committee engaged in in-depth deliberations contributing to the improvement of the effectiveness of the Board of Directors' operations, which helped yield a positive effect.</li> </ul>

**Compensation Committee**

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

Main Initiatives
<ul style="list-style-type: none"> <li>In addition to regularly addressing such matters as bonuses to be paid based on the evaluation of Group CEO, etc., the Committee discussed and decided such matters as the revision of a performance-based stock compensation plan in step with the launch of the new MTBP as well as the updating of policies for the determination of compensation in light of the implementation of the new MTBP, the enforcement of the revised Companies Act and other factors.</li> <li>With regard to the performance-based stock compensation plan, the Committee decided to adopt ESG rating agency's evaluation to further promote sustainability management.</li> </ul>

**Audit Committee**

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

Main Initiatives
<ul style="list-style-type: none"> <li>The Committee invited officers and employees in charge of relevant operations and accounting auditors as well as the Group Chief Audit Officer to report on their activities while holding periodic meetings with representative corporate executives, staff from internal audit divisions, members of Audit &amp; Supervisory committees at major subsidiaries and other personnel. It also interviewed officials of overseas regulatory authorities in countries in which MUFG operates in addition to submitting reports and recommendations to the Board of Directors.</li> <li>Also, the Committee engaged in deliberations based on reporting from accounting auditors with regard to such important matters as the status of accounting audits and issues identified via auditing and requiring close examination.</li> </ul>

**Risk Committee**

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

Main Initiatives
<ul style="list-style-type: none"> <li>The Committee confirmed and discussed such matters as the status of risk appetite (allocated capital, etc.) in the course of business planning, the content of scenarios used in stress tests and the results of such tests and the impact of the COVID-19 pandemic and MUFG's response.</li> <li>Furthermore, the Committee addressed a broad range of specific themes, including IT risk, cyber security, climate change countermeasures and other relevant initiatives as well as the risk status of and the risk management structure in place for overseas operations</li> </ul>

**Fiscal 2020 Status of Committee Meetings**

	Nominating and Governance	Compensation	Audit	Risk
Number of meetings	12	6	16	5
Attendance ratio (all members)	100%	100%	100%	88%
Attendance ratio (outside directors)	100%	100%	100%	95%

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

At MUFG, the Nominating and Governance Committee is engaged in ongoing discussion regarding ways of nurturing candidates for major management positions at the holding company and its major subsidiaries. To this end, the Committee has defined desirable traits for management members (e.g. desirable competencies, skills, backgrounds and other attributes according to position). Based on criteria formulated in line with these traits, candidates are identified and grouped by generation. In nominating candidates for Group CEO and other leading

positions, the Committee examines candidates identified in the course of succession planning in terms of their personalities, executorial skills, career records and performance while referring to the results of a 360-degree assessment conducted by an external agency. Based on the findings of these examinations, the Committee deliberates on the aptitude of each candidate. Lastly, the Committee interviews each individual and prepares proposals on the nomination of candidates that are, in turn, submitted to and finalized by the Board of Directors.

**Policies Regarding the Reduction of Equity Holdings**

The holding company, the Bank and the Trust Bank maintain a basic policy of reducing the balance of equities held for the purpose of policy-oriented investment. This basic policy is primarily intended to curb risks attributable to equity holdings, enhance capital efficiency and secure our responsiveness to global financial regulations and is carried out following sufficient dialogue with our corporate clients to secure their understanding.

In fiscal 2020, we divested equity holdings worth approximately ¥137.0 billion (simple sum of the Bank and the Trust Bank on an acquisition-cost basis). Over the three years from fiscal 2021 to fiscal 2023, we aim to reduce equity holdings by more than ¥300.0 billion.

In line with this basic policy, such equity holdings are periodically verified via the assessment of growth potential, profitability and the necessity of maintaining holdings to strengthen transactional relationships. By doing so, we determine the significance of and economic rationales for such equity holdings. If the results of these assessments suggest a lack of rationale for specific equity holdings, we push ahead with the divestment of such holdings while gaining the sufficient understanding of corporate clients.

With regard to the exercise of voting rights accompanying equity held for the purpose of policy-oriented investment, we base our voting judgment on comprehensive consideration as to whether our vote will contribute to the medium- to long-term improvement of the corporate value of our corporate clients and their sustainable growth as well as the possibility of growth in the economic interest of the holding company, the Bank and the Trust Bank over the medium- to long-term. We occasionally engage in dialogue with representatives of corporate clients prior to casting our vote on important agenda items. The status of the exercise of voting rights associated with important equity holdings<sup>\*2</sup> is reported to the holding company's Board of Directors.

Moreover, even equity holdings deemed appropriate for ongoing possession could be divested in light of the market environment, MUFG's management and financial strategies and other factors and in keeping with its basic policy of reducing the balance of such holdings.

<sup>\*1</sup> The overall business RORA (Return On Risk-Weighted Assets) is calculated by dividing revenues from banking transactions plus trust banking transactions with and dividends, etc., from a specific corporate client group, less expected losses and other expenses, by RWAs. In this calculation, RWAs are determined based on in-house rating methods (the sum of credit assets and fair-value based equities) in light of the capital adequacy ratio regulations applied to MUFG.

In addition, the verification of the economic rationales for equity holdings uses the overall business RORA<sup>\*1</sup> based on MUFG's ROE target as a threshold. Although we aim to improve profitability from business with the corporate clients whose RORA falls short of the threshold, we consider the divestment of the equity when improvement is not confirmed within a certain time period.

As of March 31, 2020, the overall business RORA associated with all equity holdings subject to this verification was approximately 1.8 times the threshold. Individually, 86% of our corporate clients achieved RORAs higher than the threshold, and such equities held by MUFG account for 94% (on a book value basis) and 89% (on a fair value basis) of overall equity holdings.

<sup>\*2</sup> As of March 31, 2020, the total fair value of the important equity holdings accounted for approximately 70% of the total fair value of listed stocks held by the Bank and the Trust Bank for the purpose of policy-oriented investment.

**Compensation System**

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

further advancement of its sustainability management.

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

Corporate Governance

In fiscal 2021, we reviewed performance-linked indicators for determining stock compensation in conjunction with the launch of the new MTBP. This review resulted in the adoption of a new indicator determined by the degree of improvement in external ratings granted by five major ESG rating agencies. In addition,

Composition of Compensation

In principle, compensation consists of (1) annual base salary (fixed), (2) performance-based stock compensation (linked to stock price and medium- to long-term performance) and (3) cash bonuses (linked to short-term performance). Proportions accounted for by each compensation item vary by the position held by each individual. The ratio of performance-based portions ((2) and (3)) to compensation paid to the Group CEO is highest at 67%. The ratio of such portions is set at approximately 60% for the Chairman and Deputy Chairman and approximately 50% for the

we adopted Total Shareholder Return (TSR) as an indicator for use in the qualitative evaluation of Group CEO performance as part of a process for determining the amount of cash bonuses paid to this position.

Deputy President. The ratio of such portions then decreases in the following order: Senior Managing Corporate Executives, Managing Corporate Executive Officers and Executives without such titles.

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

Type of compensation	Linkage with performance	Performance-based compensation range	Standards for payment		Time of payment	Payment method	Proportion of Group CEO's compensation		
			Weight	Weight					
Annual base salary	Fixed	—	• Paid based on positions, etc. • Includes Director Allowance, Committee and Chair Allowance, Housing Allowance, Overseas Representative Allowance, etc.		Monthly	Cash	1		
Stock compensation	Non-performance-based	—	Base amount by position		At the time of retirement of executives	50% in shares 50% in cash  Note: Subject to malus (confiscation) and clawback (restitution claim)	1		
			Medium- to long-term performance-based	0-150%	Base amount by position			At the end of the MTBP	
	Performance factor (medium- to long-term achievement evaluation)	<50%>							
	Performance factor (1) Consolidated ROE (2) Consolidated expenses reduction amount (excluding those linked to revenues) (3) Ratings granted by ESG rating agencies <sup>1</sup>	30% 15% 5%							
Performance factor (competitor comparison evaluation)	<50%>								
Cash bonuses	Short-term performance-based	0-150%	Base amount by position	Performance factor (quantitative evaluation factor applied to the Group CEO)  Rate of year-on-year change and target attainment rate of indices below (1) Consolidated net operating profits (2) Profits attributable to owners of parent (3) Consolidated ROE (4) Consolidated expense amount	Annually	Cash	1		
								20% 10% 20% 10%	
								Status of individual execution of duties (qualitative evaluation factor applied to Group CEO)  • Improvement in customer-segment profitability • Risks handling • Advances in ESG-related initiatives to promote sustainability management <sup>3</sup> • TSR, etc.	<40%>

<sup>1</sup> In addition to incentivizing recipients to advance sustainability management, this indicator is determined on an absolute evaluation basis in light of the degree of improvement in external ratings granted by major five ESG rating agencies (CDP, FTSE, MSCI, S&P Dow Jones and Sustainalytics), with the aim of objectively assessing the recipient's contribution to MUFU's initiatives to address ESG issues in a variety of fields.  
<sup>2</sup> Evaluated based on comparisons with main competitors (Mizuho Financial Group and Sumitomo Mitsui Financial Group)  
<sup>3</sup> Includes contribution to the resolution of environmental and social concerns, improvement in employee engagement and the strengthening and upgrading of MUFU's governance structure.

Targets for indices set under the previous MTBP (fiscal 2018 to fiscal 2020) to determine performance-based stock compensation and the ratio of their achievement

Time span for evaluation	Performance indices	Weight	Targets	Achievement ratio					
				Fiscal 2018		Fiscal 2019		Fiscal 2020	
				Per index	Total evaluation	Per index	Total evaluation	Per index	Total evaluation
Single fiscal year	Consolidated net operating profits	25%	Determined based on comparisons with competitors	100%	120%	0%	0%	80%	115%
	Profits attributable to owners of parent	25%		140%	0%	0%	150%		
Medium- to long-term	Consolidated ROE (based on MUFU's standard)	25%	Fiscal 2020: 7%-8%	0% (Fiscal 2020 consolidated ROE: 5.63%)					
	Consolidated expense ratio	25%	Fiscal 2020: A level below the fiscal 2017 result (68%)	76% (Fiscal 2020 consolidated expense ratio: 68.7%)					

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

Performance-based indices	Weight	Fiscal 2018 bonuses		Fiscal 2019 bonuses		Fiscal 2020 bonuses	
		Achievement	Payment ratio	Achievement	Payment ratio	Achievement	Payment ratio
<b>Total evaluation</b>	100%	89.1%	87.5%	77.4%	50.0%	70.0%	50.0%
<b>Quantitative evaluation (combination of four indices, including consolidated ROE)</b>	60%	98.5%	—	95.7%	—	83.3%	—
<b>Qualitative evaluation</b>	40%	75.0%	—	50.0%	—	50.0%	—

Notes: • Each quantitative evaluation indicator is determined by placing equal weight on the year-on-year increase (decrease) and the ratio of accomplishments vis-à-vis targets.  
 • Qualitative evaluation is determined using an eight-grade rating system, while comprehensive evaluation (the combination of quantitative and qualitative evaluation) is determined using a nine-grade rating system.  
 • All evaluation results are determined solely by independent outside directors in the Compensation Committee.

Global Advisory Board

MUFU 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.

 <p><b>Ambassador John V. Roos</b> Former United States Ambassador to Japan</p>	 <p><b>Professor Merit E. Janow</b> Dean, School of International and Public Affairs, Columbia University Former Member of Appellate Body, World Trade Organization</p>	 <p><b>Ms. Anne Le Lorier</b> Former First Deputy Governor of the Banque de France (Central Bank of France)</p>
 <p><b>Lord (James) Sassoon, Kt</b> Former Commercial Secretary to the Treasury, United Kingdom</p>	 <p><b>Dr. Victor K Fung</b> Group Chairman, Fung Group, Hong Kong Former Honorary Chairman, the International Chamber of Commerce</p>	 <p><b>Mr. George Yeo</b> Former Singapore Minister for Foreign Affairs</p>
 <p><b>Ms. Emi Osono</b> Professor, Hitotsubashi University Graduate School of Business Administration, Department of International Corporate Strategy</p>	 <p><b>Mr. Akio Mimura</b> Honorary Chairman, NIPPON STEEL CORPORATION</p>	

Providing Intelligence for Aiding MUFU's Management Judgment as a Global Financial Institution

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

attendees. The topics discussed were centered on important matters that may affect MUFU's global strategies, including changes in the socio-economic environment and business activities in the wake of the COVID-19 pandemic, developments in U.S.-China relations, the impact of rises in China's economic and military power on the ASEAN economic zone and other global geopolitical issues in addition to the latest trends in global financial regulations and the outlook for sustainable financing.

At the meeting, insightful opinions contributed by each Global Advisory Board member prompted brisk discussion between

● Type and Number of MUFG Shares Owned as of March 31, 2021  
(Dilutive Shares: The number of corresponding vested points in the stock compensation system using a trust structure.)  
■ Attendance at Board of Directors Meetings (FY2020)

**Board of Directors**



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

Tenure as an Outside Director: Two years  
● Ordinary Shares: 0 ■ 10/10  
Former Ambassador Extraordinary and Plenipotentiary of Japan to the Republic of Latvia  
Emeritus Professor of The University of Tokyo  
1977 Joined Ministry of Finance of Japan  
1997 Director, International Affairs and Research Division, Customs and Tariff Bureau, Ministry of Finance  
1999 Associate Professor, Research Center for Advanced Science and Technology, The University of Tokyo  
2001 Professor, Research Center for Advanced Economic Engineering, The University of Tokyo  
2004 Professor, Research Center for Advanced Science and Technology, National University Corporation, The University of Tokyo  
2014 Outside Director of Electric Power Development Co., Ltd.  
2015 Retired from The University of Tokyo  
Retired from Outside Director of Electric Power Development Co., Ltd.  
Ambassador Extraordinary and Plenipotentiary of Japan to the Republic of Latvia  
2016 Emeritus Professor of The University of Tokyo (current)  
2019 Retired from Ambassador of Japan to the Republic of Latvia  
Outside Director of NTT DATA CORPORATION (current)  
Member of the Board of Directors (Outside Director), MUFG (current)



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

Tenure as an Outside Director: One year  
● Ordinary Shares: 0 ■ 8/8\*  
Former Chief Executive Officer of Multilateral Investment Guarantee Agency, World Bank Group  
1984 Joined Bain & Company Japan, Inc.  
1986 Joined Shearson Lehman Brothers Securities Co., Ltd.  
1989 Joined McKinsey & Company, Inc. Japan  
1999 Partner of McKinsey & Company, Inc. Japan  
2007 Director (Senior Partner) of McKinsey & Company, Inc. Japan  
2013 Chief Executive Officer of Multilateral Investment Guarantee Agency, World Bank Group  
2019 Retired from Multilateral Investment Guarantee Agency, World Bank Group  
2020 Adjunct Professor and Adjunct Senior Research Scholar of School of International and Public Affairs, Columbia University (current)  
Outside Director of AGC Inc. (current)  
Member of the Board of Directors (Outside Director), MUFG (current)



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

Tenure as an Outside Director: Two years  
● Ordinary Shares: 0 ■ 10/10  
Corporate Advisor, NTT DOCOMO, INC.  
1977 Joined Nippon Telegraph and Telephone Public Corporation (NTT)  
1999 General Manager of Plant Department of NTT Kansai Mobile Communications Network, Inc.  
2000 General Manager of Plant Department of NTT DoCoMo Kansai, Inc.  
2002 General Manager of Corporate Strategy and Planning Department, Member of the Board of Directors of NTT DoCoMo Kansai, Inc.  
2005 Representative Director and Senior Corporate Executive Officer of Sumitomo Mitsui Card Co., Ltd.  
2007 Executive Vice President, General Manager of Corporate Strategy and Planning Department, Member of the Board of Directors of NTT DoCoMo Kansai, Inc.  
2008 Executive Vice President, General Manager of Corporate Strategy and Planning Department, Member of the Board of Directors of NTT DOCOMO, INC.  
2012 President and Chief Executive Officer, Member of the Board of Directors of NTT DOCOMO, INC.  
2016 Corporate Advisor, Member of the Board of Directors of NTT DOCOMO, INC.  
2018 Corporate Advisor of NTT DOCOMO, INC. (current)  
2019 Member of the Board of Directors (Outside Director), MUFG (current)  
2021 Non-executive Director of Kirin Holdings Company, Limited (current)



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

Tenure as an Outside Director: Three years  
● Ordinary Shares: 0 ■ 10/10  
Former Executive Vice President and Representative Director of Japan Tobacco Inc.  
1980 Joined Japan Tobacco and Salt Public Corporation (current Japan Tobacco Inc.)  
2001 Vice President of Finance Planning Division of Japan Tobacco Inc.  
2004 Senior Vice President, Head of Finance Group of Japan Tobacco Inc.  
Senior Vice President, Chief Financial Officer of Japan Tobacco Inc.  
2005 Member of the Board, Senior Vice President, and Chief Financial Officer of Japan Tobacco Inc.  
2006 Member of the Board of Japan Tobacco Inc. Executive Vice President and Deputy CEO of JT International S.A.  
2011 Representative Director and Executive Vice President of Japan Tobacco Inc.  
2014 External Board Director of Recruit Holdings Co., Ltd.  
2018 Member of the Board of Japan Tobacco Inc. Outside Director of Asahi Group Holdings, Ltd. (current)  
Member of the Board of Directors (Outside Director), MUFG (current)  
2019 Outside Director of Dai-ichi Life Holdings, Inc. (current)



**Koichi Tsuji**  
Member of the Board of Directors  
(Outside Director)

● Ordinary Shares: 0 ■ -  
Certified Public Accountant  
1984 Joined Peat, Marwick, Mitchell & Co.  
1988 Registered as Certified Public Accountant in Japan  
1989 Resident Representative, Zurich, Switzerland  
2004 Senior Partner of Ernst & Young ShinNihon LLC  
2016 Chairman & CEO of Ernst & Young ShinNihon LLC  
2019 Chairman & CEO of EY Japan Godo Kaisha Member of the Board of Directors of EY Japan Co., Ltd.  
2021 Member of the Board of Directors (Outside Director), MUFG (current)



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

Tenure as an Outside Director: Four years  
● Ordinary Shares: 0 ■ 10/10  
Former Governor, the Bank of Thailand  
1975 Joined the Bank of Thailand  
1988 Economist, International Monetary Fund (On the Secondment)  
2002 Deputy Governor of the Bank of Thailand  
2006 Governor of the Bank of Thailand  
2010 Retired from the Bank of Thailand  
2013 Outside Director of the Siam Cement Public Company Limited (current)  
2017 Member of the Board of Directors (Outside Director), MUFG (current)



**Satoko Kuwabara**  
Member of the Board of Directors  
(Outside Director)

● Ordinary Shares: 0 ■ -  
Partner, Gaien Partners  
1990 Registered as an attorney at law, Member of the Daini Tokyo Bar Association  
Joined Mori Sogo (currently Mori Hamada & Matsumoto)  
1998 Partner of Mori Hamada & Matsumoto  
2016 Outside Director of BANDAI NAMCO Holdings Inc. (current)  
2020 Outside Auditor of Unicafe Inc. (current)  
Partner of Gaien Partners (current)  
Outside Audit & Supervisory Board Member of Nippon Yusen Kabushiki Kaisha (current)  
2021 Member of the Board of Directors (Outside Director), MUFG (current)



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

Tenure as an Outside Director: Four years  
● Ordinary Shares: 368\* ■ 10/10  
Chairman & CEO, Longsight Strategic Advisors LLC  
1977 Registered as an attorney at law, admitted in States of New York and California in the United States  
1981 Joined Paul, Weiss, Rifkind, Wharton & Garrison LLP  
1983 Partner of Paul, Weiss, Rifkind, Wharton & Garrison LLP  
1989 Managing Director of Wasserstein Perella & Co. Inc  
1990 Partner of Paul, Weiss, Rifkind, Wharton & Garrison LLP  
2014 Outside Director of MUFG Union Bank, N.A. (current)  
2016 Retired from Paul, Weiss, Rifkind, Wharton & Garrison LLP  
2017 Chairman & CEO of Longsight Strategic Advisors LLC (current)  
Outside Director of MUFG Americas Holdings Corporation (current)  
Member of the Board of Directors (Outside Director), MUFG (current)  
2019 Independent Director, TRU (UK) Asia Limited



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

Tenure as an Outside Director: Two years  
● Ordinary Shares: 25,000 ■ 10/10  
Chairman & Representative Director, TOKYU CORPORATION  
1971 Joined TOKYU CORPORATION  
2003 Executive General Manager of Media Business Headquarters of TOKYU CORPORATION  
2004 President & Representative Director of its communications Inc.  
2007 Director of TOKYU CORPORATION Executive Officer of Real Estate Development Business Unit of TOKYU CORPORATION  
2008 Managing Director of TOKYU CORPORATION Senior Managing Director of TOKYU CORPORATION  
2010 Executive Officer & Senior Executive General Manager of Urban Life Produce Business Unit of TOKYU CORPORATION Senior Managing Director & Representative Director of TOKYU CORPORATION  
2011 President & Representative Director of TOKYU CORPORATION  
2018 Chairman & Representative Director of TOKYU CORPORATION (current)  
2019 Member of the Board of Directors (Outside Director), MUFG (current)  
President & CEO of THREE HUNDRED CLUB Co., Ltd. (current)



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

Tenure as a Director: One year  
● Ordinary Shares: 88,534  
Dilutive Shares: 52,436  
■ 8/8\*1



**Kenichi Miyanaga**  
Member of the Board of Directors  
Audit Committee Member

● Ordinary Shares: 37,578  
Dilutive Shares: 285,068  
■ -



**Kanetsugu Mike**  
Member of the Board of Directors  
Chairman (Corporate Executive)

Tenure as a Director: Four years  
Chairman of the Board  
● Ordinary Shares: 210,980  
Dilutive Shares: 403,288  
■ 10/10



**Saburo Araki**  
Member of the Board of Directors  
Deputy Chairman (Representative Corporate Executive)

Tenure as a Director: Three years  
● Ordinary Shares: 81,008  
Dilutive Shares: 81,008  
■ 10/10  
President & Global CEO of Mitsubishi UFJ Securities Holdings Co., Ltd.  
President & CEO, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.



**Iwao Nagashima**  
Member of the Board of Directors  
Deputy Chairman (Representative Corporate Executive)

Tenure as a Director: One year  
● Ordinary Shares: 90,581  
Dilutive Shares: 276,423  
■ 8/8\*1  
President and CEO of Mitsubishi UFJ Trust & Banking Corporation



**Junichi Hanzawa**  
Member of the Board of Directors  
Deputy Chairman (Representative Corporate Executive)

● Ordinary Shares: 39,900  
Dilutive Shares: 79,352  
■ -  
President & CEO of MUFG Bank, Ltd.



**Hironori Kamezawa**  
Member of the Board of Directors  
President & Group CEO (Representative Corporate Executive)

Tenure as a Director: Two years  
● Ordinary Shares: 25,539  
Dilutive Shares: 329,783  
■ 10/10  
Member of the Board of Directors of MUFG Bank, Ltd.  
Directors of Morgan Stanley

\*1 Status of attendance to Board of Directors meetings held since they assumed office in June 2020.  
\*2 Ownership substantially in the form of American Depositary Receipts (ADRs)

# Risk Management

## Basic Policy

MUFG aims to strengthen its Group risk management through the diffusion of a risk culture that strengthens the structure of Group business management as well as enterprise risk management. Our goal is effective risk governance that is consistent across regions, subsidiaries and the holding company. MUFG defines a risk culture as the basic approach that specifies how to take risks and risk

management for MUFG's organizational and individual behaviors. We have incorporated our risk culture into the MUFG Group Code of Conduct and are engraining this culture among directors and employees, mainly through training.

## Risk Management Framework

The Risk Committee under the Board of Directors comprises independent outside directors and outside experts. The committee deliberates various matters related to risk management, reports to the Board of Directors and submits recommendations. Based on the deliberations at the committee, the Board decides

management and operational policies related to various risks. The holding company decides basic policies for the entire Group, while each Group company develops its own management systems and manages risks in line with these policies.

## Risk Appetite Framework

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.

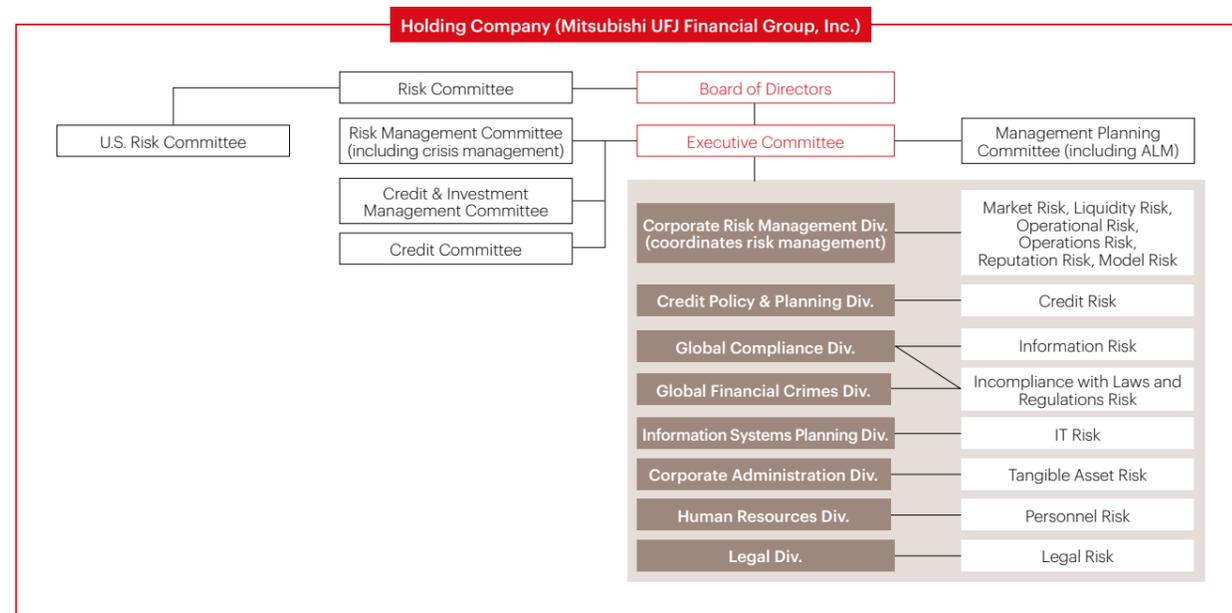
risk is properly controlled.

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

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

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

## Risk Management System

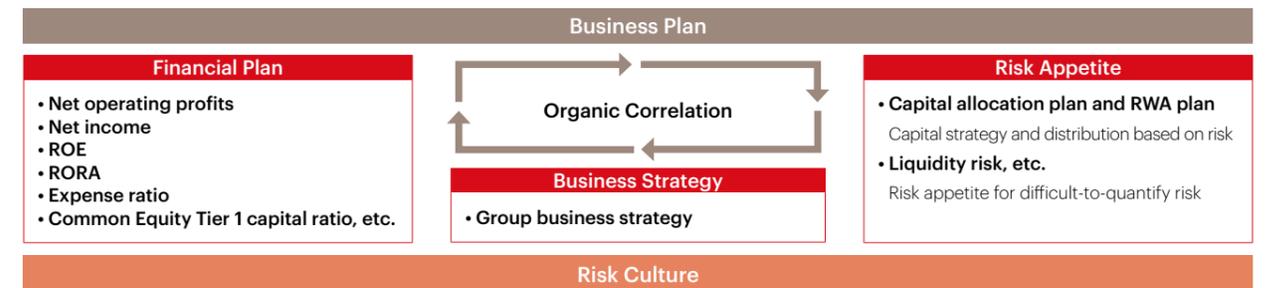


Furthermore, even after the plan is formulated, we are ready to take immediate action in emergency situations through the monitoring of the set risk appetite.

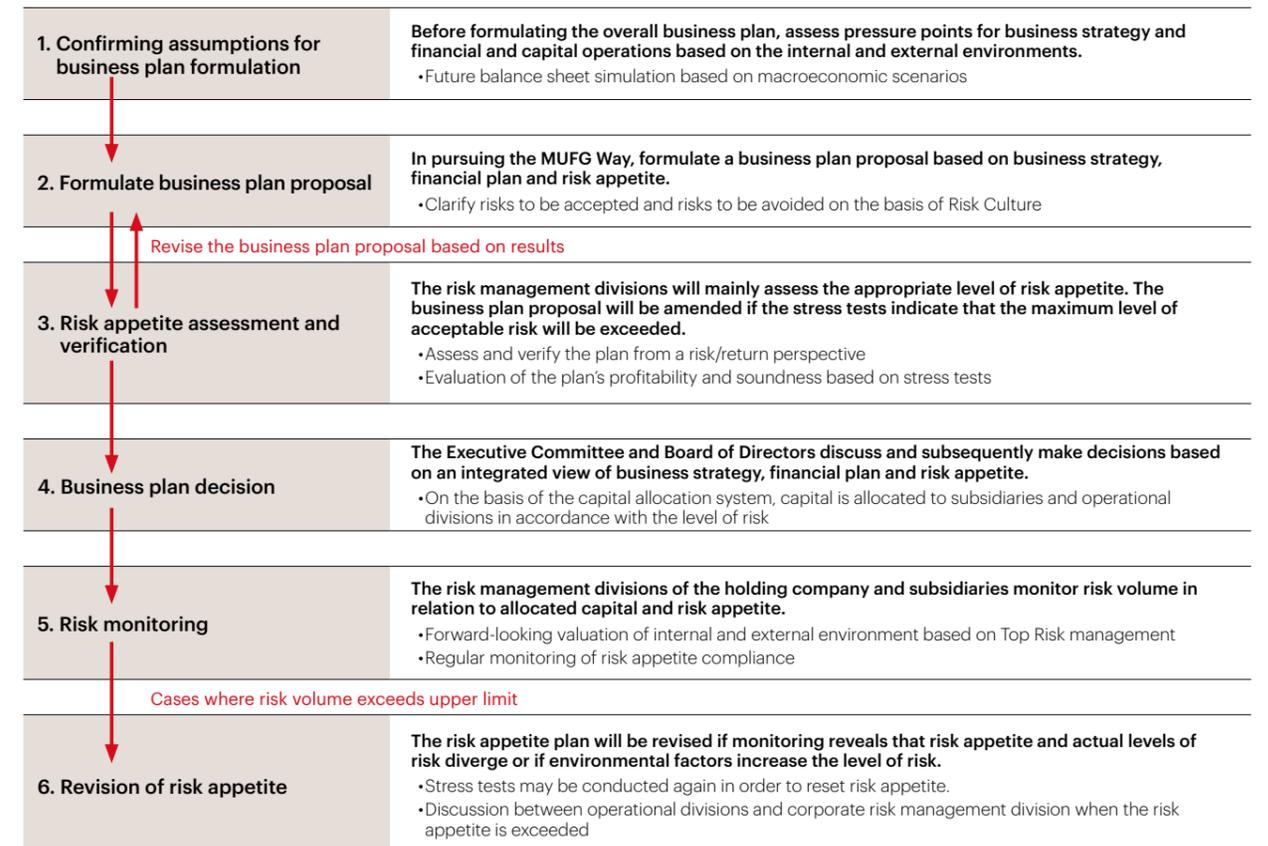
Framework, which embodies MUFG's attempts to achieve an integrated group strategy along with effective risk management. Since fiscal 2019, each business group has formulated a risk appetite statement for itself as a management tool while assuming ownership of its own risks.

The Risk Appetite Statement elucidates the Risk Appetite

## Risk Appetite Framework



## Risk Appetite Setting and Management Process



## Risk Management

### Enterprise Risk Management

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

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

#### Top Risk Management

The potential losses that emerge from scenario analysis are classified as risks and then their relative importance is weighed according to degree of impact and probability. The risks that need to be watched most closely over the next year (including risks whose probability could increase and also encompassing not just risks that can be quantitatively measured but also those that could have a significant impact on business through strategies and reputation in the future) are classified as Top Risks and a risk map is created, thereby ensuring a forward-looking approach to risk management. Moreover, this approach also addresses medium- to long-term risks, including those associated with digitalization and ESG issues, with robust measures being prepared to ensure our responsiveness to emergencies. (Major Top Risks identified by MUFG are as listed below.)

#### Major Top Risks

Risk events <sup>1</sup>	Risk scenarios
<b>A decline in profitability (including a decline in net interest income)</b>	<ul style="list-style-type: none"> <li>Our overall profitability may be adversely affected by, among other things, a decline in our net interest income due to further reductions in interest rates as a result of changes in the monetary policies of central banks in various jurisdictions in light of the COVID-19 pandemic and deterioration in global economic conditions.</li> </ul>
<b>An increase in risk-weighted assets (RWAs)</b>	<ul style="list-style-type: none"> <li>RWAs may increase and the Group's capital adequacy ratio may decrease due to efforts to meet demand for new or additional financing as fundraising support.</li> </ul>
<b>Foreign currency liquidity risk</b>	<ul style="list-style-type: none"> <li>Deterioration in market conditions may result in a depletion of foreign currency funding liquidity and an increase in our foreign currency funding costs.</li> </ul>
<b>An increase in credit costs</b>	<ul style="list-style-type: none"> <li>Sudden deterioration in global economic activities may result in an increase in our credit costs.</li> <li>Deterioration in the credit quality of particular industries or counterparties, to which we have relatively larger exposures, may result in an increase in our credit costs.</li> </ul>
<b>IT risk</b>	<ul style="list-style-type: none"> <li>Cyber-attacks may result in customer information leakage, financial service outage and reputational damage.</li> <li>System failures may result in our payment of financial compensation and damage to our reputation.</li> </ul>
<b>Risks relating to money laundering, economic sanctions, bribery and corruption</b>	<ul style="list-style-type: none"> <li>If we are deemed not compliant with applicable regulations relating to money laundering, economic sanctions, bribery and corruption, we may become subject to issuance of business suspension orders, fines and reputational damage.</li> </ul>
<b>Market conduct risk</b>	<ul style="list-style-type: none"> <li>Failing to comply with laws and regulations, breaching a social norm, conducting improper business / market practices or lacking perspective on customers' interests may result in administrative business suspension orders, payment of fines or damage to our reputation.</li> </ul>
<b>Risks relating to external circumstances or events (such as health pandemics, earthquakes, floods, terrorism, etc.)</b>	<ul style="list-style-type: none"> <li>Health pandemics, natural disasters, conflicts and terrorist attacks may result in disruption to all or part of our operations or an increase in costs and expenses in addressing such circumstances or events.</li> </ul>
<b>Climate change-related risks</b>	<ul style="list-style-type: none"> <li>If our efforts to address climate change-related risks or to make appropriate disclosure are deemed insufficient, our corporate value may be impaired.</li> <li>Our credit portfolio may be adversely affected by the negative impact of climate change on our borrowers and transaction counterparties.</li> </ul>

<sup>1</sup>The aforementioned risk scenarios are examples of scenarios reported to MUFG's Board of Directors after being discussed at a Risk Committee meeting held in March 2021. These scenarios include types of incidents that are not necessarily specific to MUFG and can happen to business corporations in general.

#### Stress Tests

##### Stress tests for capital adequacy assessment

In formulating its business strategy, MUFG regularly assesses its internal capital adequacy through stress tests based on Basel III capital adequacy regulations. Stress tests analyze the prevailing economic environment at home and abroad as well as the future outlook while giving due consideration to Top Risks and the MUFG Group's business structure. The three-year-period scenarios are thus created and utilized to calculate and assess the impact on our capital ratio of the materialization of risks. This also helps us verify the propriety of our business strategy.

##### Liquidity stress tests

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

#### 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.

#### Operational Resilience

MUFG is exposed to various threats, including the outbreak of COVID-19, as well as natural disasters, such as an earthquake in Tokyo Metropolitan area or wind and flood damage becoming more exacerbated and frequent due to climate change, and the threat of cyber-attacks increased by the trend of digitalization.

Under this circumstance, enhancing the ability to recover from crises is becoming a matter of concern for government agencies in Japan and other countries, as exemplified by the announcement of the "Principles for Operational Resilience" released by the Basel Committee on Banking Supervision in March 2021.

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

Currently, under the rapid adoption of work-from-home due to

the pandemic, we established a purpose for new workstyles, "establishing resilient business continuity frameworks that can flexibly respond to various crises and maintain stable financial functions." We are striving to revise each framework and enhance effectiveness through training.

##### Examples of Specific Initiatives

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

## Cyber Security

### Basic Policy

MUFG is well aware of its social responsibilities for securing the assets entrusted by customers and its obligation to provide secure and stable financial services. With this in mind, MUFG has positioned threats posed by cyberattacks and other relevant

events as Top Risks. Accordingly, we are promoting cyber security measures under management's leadership.

### Cyber Security Management Structure

#### Governance Structure

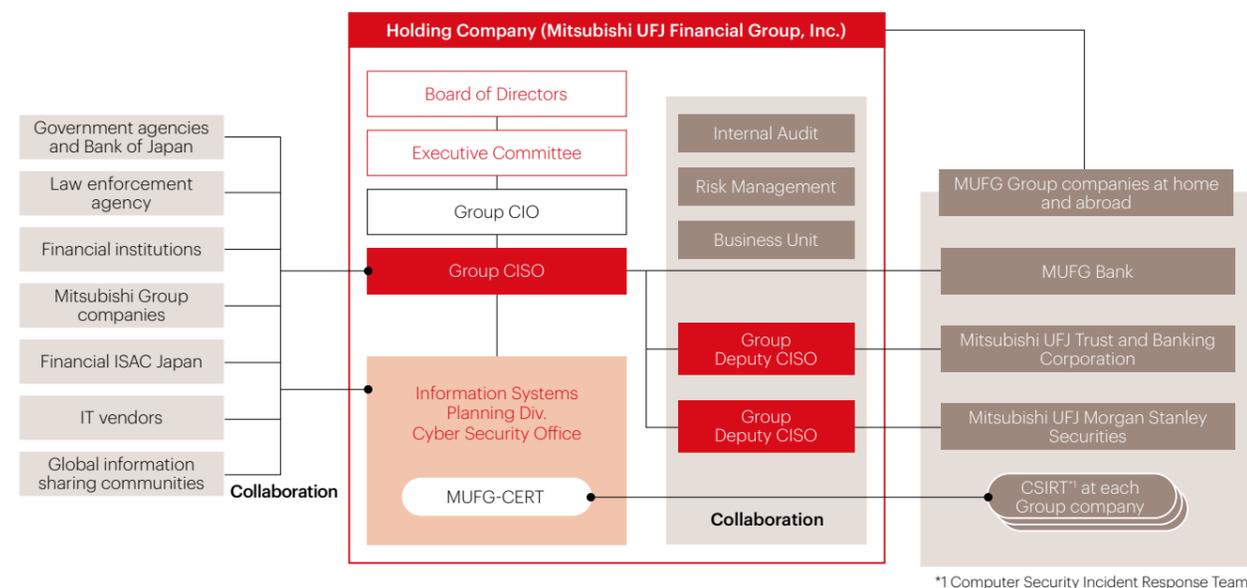
MUFG has cyber security standards that reference international guidelines and is engaged in the development of relevant strategies and organizational structures as well as the planning and implementation of initiatives aimed at enhancing its cyber security measures.

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

#### Management Structure

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

### Cyber Security Governance Structure



### Main Initiatives to Counter Cyber Security Threats

#### Security Measures in Response to the New Lifestyle Norms

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

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

#### Our Response to Digital Transformation (DX)

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

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

#### Providing Cyber Security Education to Foster a Proper Culture

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

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



Staff working at MUFG CSFC\*1  
\*1 MUFG Cyber Security Fusion Center

# Compliance

## Basic Policy

We have established MUFG Group Code of Conduct as a set of guidelines for how the Group's directors and employees should act to realize the MUFG Way. The code expresses our commitment to complying with laws and regulations globally, to acting with honesty and integrity, and to behaving in a manner that supports and strengthens the trust and confidence of society.

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

## Compliance Framework

Management and coordination of compliance-related matters are the responsibility of separate compliance management divisions established at the holding company and the major subsidiaries, namely, the Bank, the Trust Bank and Mitsubishi UFJ Securities Holdings (hereinafter, the "three subsidiaries"). Each compliance management division formulates compliance programs and organizes training courses to promote compliance, and regularly reports to each company's board of directors and Executive Committee on the status of compliance activities.

The holding company has established a Group Compliance Committee while the three subsidiaries have Compliance Committees under their executive committees to deliberate key issues related to compliance. Additionally, the holding company has a Group Chief Compliance Officer, or CCO, Committee, which consists of the CCO of the holding company and the CCOs of the three subsidiaries. The Group CCO Committee deliberates important matters related to compliance and compliance-related issues for which the Group should share a common understanding.

## Ensuring Thorough Compliance

We engage in ongoing efforts to ensure that each employee embraces proper action principles in accordance with the Code of Conduct by, for example, providing various compliance training and distributing messages from top management. Every year, we also update the content of the Code of Conduct with reference to the results of the annual Group Awareness and Engagement Survey as well as changes in the business environment at home and abroad.

The updated Code of Conduct released in fiscal 2021 is simplified overall and designed to communicate easy-to-understand messages to employees while incorporating additional commentaries regarding the prohibition of improper entertainment and gifts as well as the prevention of bribery and corruption with the aim of living up to the global standards required of us by regulatory authorities. As such, MUFG is constantly striving to ensure thorough compliance.

## Initiatives to Enhance Global Financial Crimes Compliance Framework

MUFG established the Global Financial Crimes Division ("GFCD"), which is in charge of Anti-Money Laundering ("AML"), Counter-Terrorist Financing ("CFT"), Sanctions Compliance, and Anti-Bribery and Corruption (collectively, "Global Financial Crimes Compliance"), against the backdrop of heightened regulatory expectations in that area. MUFG established GFCD's headquarters in New York, where the excellence for financial crimes risk management is centralized, and is implementing a number of initiatives to prevent, detect, and deter financial crimes.

MUFG established policies that define the governance and oversight structure for financial crimes risk management across MUFG and provide the foundation for the implementation of the financial crimes compliance program in a manner that is commensurate with the strategies, business activities, and risk profiles of each Group company. Through these policies, MUFG promotes a consistent and integrated approach across the Group globally.

MUFG Bank, one of the Group companies, incorporated the Group's mandate in the "Global Financial Crimes Policy Statement," which is available on the Bank's public website and provides confirmation that the Bank is committed to financial crimes risk management and has in place appropriate controls. As a member of the Wolfsberg Group,<sup>1</sup> the Bank is proud to work with other global financial institutions to develop frameworks and guidance for the financial crimes risk management.

In addition, the Bank established shared organizations (Centers of Excellence) in the Americas, EMEA, Asia, and Japan. Through those Centers of Excellence, the Bank is centralizing certain AML

and sanctions compliance processes and expertise to assist in the fight against money laundering, terrorist financing, and sanctions violations. As processes move from local branches and offices and become integrated into the Centers of Excellence, the Bank will be better positioned to achieve globally consistent and effective operations.

The Bank is also enhancing its financial crimes compliance systems and establishing a data warehouse. These enhancements will support a globally consistent, effective, and efficient financial crimes compliance program and will help the Bank detect more complex and sophisticated types of financial crimes in a sustainable and flexible manner.

Furthermore, the Bank is investing in its people, with continued hiring of financial crimes compliance specialists, training, updated information-sharing, and accumulation and exchange of knowledge and skills through a global staff rotation program.

We continue to work on the enhancement of global financial crimes compliance in line with the requirements and expectations of international organizations, including regulators in each country, FATF,<sup>2</sup> etc., to support and strengthen the trust and confidence of society.

<sup>1</sup>The Wolfsberg Group is an association of thirteen global banks which aims to develop frameworks and guidance for the management of financial crime risks.  
<sup>2</sup>FATF: Financial Action Task Force on money laundering. Inter-governmental body that advocates for taking a coordinated international response in AML and counter-terrorist financing.

## Whistle-Blowing Systems

Having positioned its whistle-blowing systems as an important governance tool, MUFG has helped each Group company develop such a system to ensure their ability to identify compliance issues early so that any problems can be quickly rectified. Moreover, the MUFG Compliance Helpline operates year-round and is capable of handling a report from any Group member no matter what their location on an around-the-clock basis.

In addition, we aim to ensure that each employee is able to quickly access this helpline whenever he/she has even the slightest suspicion regarding compliance. To this end, we let all employees know about this helpline as well as records on internal reporting accepted thus far. At the same time, we are striving to enhance the reliability of our whistleblowing systems via, for example, the sharing of actual compliance-related cases in a form that makes it impossible to determine the identities of whistleblowers. We are also implementing preparatory measures to secure conformity with the upcoming revision of the Whistleblower Protection Act and to provide employees with even smoother access to the whistleblowing system.

Furthermore, whistle-blowing systems in place at the holding company, the Bank, the Trust Bank, Mitsubishi UFJ Securities Holdings, Mitsubishi UFJ Morgan Stanley Securities, Mitsubishi UFJ NICOS and ACOM were registered as conforming to Japan's Consumer Affairs Agency's Whistleblowing Compliance Management System (WCMS) certification standards<sup>1</sup> based on self-declaration.



<sup>1</sup>A system that registers business operators if their whistle-blowing systems are deemed to conform to prescribed certification standards via self-evaluation as well as third-party confirmation by a registration body designated by the Consumer Affairs Agency

## Internal Audit

### Basic Policy

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

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

This charter is designed to encourage internal audit staff to conduct internal audits in accordance with the global standards set by the Institute of Internal Auditors,<sup>\*1</sup> an international organization established for, among other purposes, formulating practical internal audit standards.

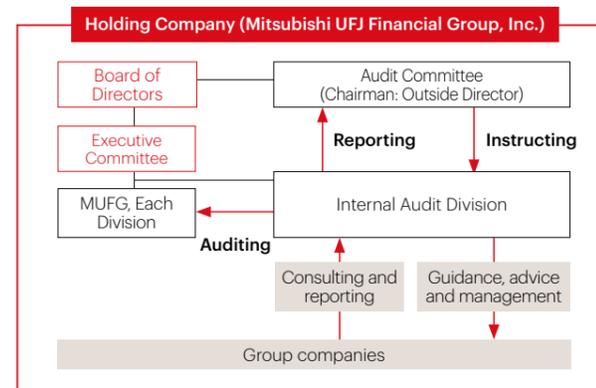
<sup>\*1</sup> An international association headquartered in the United States, the IIA formulates practical standards for internal audits, issues accreditation for certified internal auditors (CIA) and engages in other activities aimed at providing leadership for the global profession of internal auditing.

To see the full text of the charter, please also visit our corporate website. <https://www.mufg.jp/english/profile/governance/audit/>

### Internal Audit Framework

The MUFG Group maintains internal audit functions at the holding company level as well as at the subsidiary level that are designed to enable the Group to provide coverage for all operations and support the Board of Directors of the holding company in the exercise of its supervisory functions via across-the-board collaboration with other Group entities. In addition to leading the internal audit planning and proposal activities of the Group, the internal audit division at the holding company administers, monitors and, as necessary, guides and advises the internal audit divisions of subsidiaries and affiliated companies. The division also reports to the holding company’s Audit Committee on important matters, including governing principles for internal audit plans and the results of internal audits.

#### Internal Audit Framework



### Implementing Effective and Efficient Internal Auditing

To ensure that internal audit processes use available resources with optimal effectiveness and efficiency, the internal audit divisions implement risk-focused internal audits in which the nature and magnitude of the associated risks are considered in determining audit priorities and the frequency and depth of

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

#### Global Matrix Management

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

Through matrix management, we aim to improve the

effectiveness and efficiency of global audits while ironing out regional differences in audit standards.

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

## Initiatives for Practicing a Customer-Oriented Approach

### Basic Policy

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

MUFG Basic Policy for Fiduciary Duties	
MUFG Group Code of Conduct 1-1	1. Ensure customer-oriented approach
Honesty and Integrity	2. Developing and providing products that match customers’ needs
	3. Implementing customer-oriented consultation and provision of information
	4. Provision of line of products to meet diverse needs
MUFG Group Code of Conduct 1-2	5. Sophistication of investment for the improvement of customers’ investment results
Ensuring Quality	6. Improvement of quality of comprehensive asset administration services to support customers’ asset management
	7. Provision of financial services leveraging the Group’s consolidated strength
MUFG Group Code of Conduct 1-3	8. Establishment of a structure enabling comfortable, secure and safe transactions
Exceeding Customer Expectations	9. Exertion of professionalism

### Operational Structure

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

Moreover, eight domestic Group companies disclose the status of their initiatives related to fiduciary duties and KPIs<sup>\*1</sup> for such initiatives. In addition, the holding company is engaged in the monitoring of initiatives undertaken by each Group company while periodically reviewing the aforementioned policy. By doing so, we aim to promote customer-oriented business operations.

<sup>\*1</sup> Japanese only

### Examples of KPIs Disclosed

1-1 Honesty and Integrity	1-2 Ensuring Quality
<ul style="list-style-type: none"> <li>Customer assets and number of investment products holders</li> <li>Assets under management (AuM)</li> <li>Number of awards won for R&amp;I Fund Awards</li> <li>Number of fund awards won</li> <li>Number of holders of wrap accounts (number of people) and balance</li> <li>Transfer amount for investment trust Tsumitate</li> <li>Number of holders of investment trust Tsumitate</li> <li>Average period of holding investment trust funds</li> <li>[Common KPI] Cost/return and risk/return of top 20 investment trust funds in terms of AuM</li> <li>[Common KPI] Ratio of customers by gain/loss on fund performance</li> <li>Ratio of customers by gain/loss on fund performance including realized gain/loss</li> <li>[Common KPI] Ratio of customers by gain/loss on performance of fund wrap</li> <li>[Common KPI] Ratio of customers by gain/loss on performance of wrap service</li> </ul>	<ul style="list-style-type: none"> <li>Investment trust fund line-up</li> <li>Life insurance product line-up</li> <li>Top 10 investment trust fund in distribution and proportion of distribution amount</li> <li>Ratio of distribution amount of products launched by affiliated investment managers</li> <li>External evaluation of the quality of information offered by asset management firms and relevant customer satisfaction ratings</li> <li>AuM of the products targeted for “Tsumitate NISA”</li> <li>Periodic investment performance on the entire products targeted for “Tsumitate NISA”</li> <li>Assets under administration</li> </ul>
	1-3 Exceeding Customer Expectations
	<ul style="list-style-type: none"> <li>Satisfaction survey</li> </ul>

For details of the MUFG Basic Policy for Fiduciary Duties, please also visit our corporate website. <https://www.mufg.jp/english/profile/governance/fd/>

## Consolidated Financial Statements

### Consolidated Balance Sheets

	(Millions of Yen)	
	Mar 31, 2021	Mar 31, 2020
<b>Assets:</b>		
Cash and due from banks	102,980,711	78,335,634
Call loans and bills bought	730,506	727,598
Receivables under resale agreements	13,942,910	24,104,564
Receivables under securities borrowing transactions	3,394,376	3,464,533
Monetary claims bought	5,982,876	6,583,403
Trading assets	20,552,367	20,250,172
Money held in trust	1,283,179	1,046,323
Securities	77,122,074	65,555,127
Loans and bills discounted	107,183,069	109,114,612
Foreign exchanges	1,915,010	1,741,290
Other assets	12,406,158	13,900,403
<b>Tangible fixed assets</b>	<b>1,296,402</b>	<b>1,319,789</b>
Buildings	321,965	341,984
Land	664,065	680,425
Lease assets	14,823	19,811
Construction in progress	45,881	34,733
Other tangible fixed assets	249,667	242,834
<b>Intangible fixed assets</b>	<b>1,436,098</b>	<b>1,498,407</b>
Software	571,905	552,291
Goodwill	273,092	283,672
Lease assets	1	22
Other intangible fixed assets	591,097	662,421
<b>Net defined benefit assets</b>	<b>1,210,577</b>	<b>712,206</b>
Deferred tax assets	137,988	127,516
Customers' liabilities for acceptances and guarantees	9,004,749	8,830,436
Allowance for credit losses	(1,105,541)	(740,641)
<b>Total assets</b>	<b>359,473,515</b>	<b>336,571,379</b>

	(Millions of Yen)	
	Mar 31, 2021	Mar 31, 2020
<b>Liabilities:</b>		
Deposits	211,521,257	187,623,551
Negotiable certificates of deposit	8,099,119	7,787,524
Call money and bills sold	2,330,808	3,671,100
Payables under repurchase agreements	24,483,519	31,692,711
Payables under securities lending transactions	836,351	1,058,042
Commercial papers	1,810,350	2,162,329
Trading liabilities	14,002,667	14,067,826
Borrowed money	31,110,465	24,651,574
Foreign exchanges	2,105,245	2,223,010
Short-term bonds payable	1,043,001	962,295
Bonds payable	12,908,505	13,464,472
Due to trust accounts	11,208,570	9,798,688
Other liabilities	9,754,731	10,407,459
Reserve for bonuses	118,358	110,964
Reserve for bonuses to directors	1,816	1,446
Reserve for stocks payment	10,915	11,298
Net defined benefit liabilities	88,914	86,547
Reserve for retirement benefits to directors	872	1,058
Reserve for loyalty award credits	18,312	31,247
Reserve for contingent losses	183,855	206,029
Reserves under special laws	4,642	4,269
Deferred tax liabilities	1,008,650	754,111
Deferred tax liabilities for land revaluation	101,577	107,641
Acceptances and guarantees	9,004,749	8,830,436
<b>Total liabilities</b>	<b>341,757,258</b>	<b>319,715,640</b>
<b>Net assets:</b>		
Capital stock	2,141,513	2,141,513
Capital surplus	977,287	980,102
Retained earnings	11,200,087	10,855,798
Treasury stock	(502,794)	(505,518)
<b>Total shareholders' equity</b>	<b>13,816,094</b>	<b>13,471,894</b>
Net unrealized gains (losses) on available-for-sale securities	2,583,417	2,066,363
Net deferred gains (losses) on hedging instruments	131,566	189,342
Land revaluation excess	149,183	158,633
Foreign currency translation adjustments	9,953	300,838
Remeasurements of defined benefit plans	163,189	(159,766)
Debt value adjustments of foreign subsidiaries and affiliates	(50,832)	(36,470)
<b>Total accumulated other comprehensive income</b>	<b>2,986,478</b>	<b>2,518,940</b>
Subscription rights to shares	—	59
Non-controlling interests	913,684	864,844
<b>Total net assets</b>	<b>17,716,257</b>	<b>16,855,738</b>
<b>Total liabilities and net assets</b>	<b>359,473,515</b>	<b>336,571,379</b>

### Consolidated Financial Results

	(Millions of Yen)	
	FY 2020	FY 2019
<b>Gross profits</b>	<b>3,997,912</b>	<b>3,986,304</b>
Gross profits before credit costs for trust accounts	3,997,912	3,986,304
Net interest income	1,905,112	1,892,967
Trust fees	140,449	130,829
Credit costs for trust accounts	(0)	0
Net fees and commissions	1,334,712	1,341,266
Net trading profits	350,065	161,457
Net other operating profits	267,573	459,783
Net gains (losses) on debt securities	119,061	492,989
General and administrative expenses	2,749,489	2,801,858
Amortization of goodwill	16,833	29,551
Net operating profits before credit costs for trust accounts, provision for general allowance for credit losses and amortization of goodwill	1,265,257	1,213,997
<b>Net operating profits before credit costs for trust accounts and provision for general allowance for credit losses</b>	<b>1,248,423</b>	<b>1,184,445</b>
Provision for general allowance for credit losses	(203,867)	(111,408)
<b>Net operating profits*1</b>	<b>1,044,555</b>	<b>1,073,037</b>
Net non-recurring gains (losses)	9,054	162,733
Credit costs	(378,886)	(214,966)
Losses on loan write-offs	(188,852)	(179,213)
Provision for specific allowance for credit losses	(174,259)	(18,237)
Other credit costs	(15,775)	(17,514)
Reversal of allowance for credit losses	—	—
Reversal of reserve for contingent losses included in credit costs	—	8,148
Gains on loans written-off	67,224	95,275
Net gains (losses) on equity securities	130,273	31,339
Gains on sales of equity securities	189,957	166,710
Losses on sales of equity securities	(51,585)	(74,552)
Losses on write-down of equity securities	(8,099)	(60,817)
Equity in earnings of equity method investees	321,761	277,221
Other non-recurring gains (losses)	(131,317)	(34,286)
<b>Ordinary profits</b>	<b>1,053,610</b>	<b>1,235,770</b>
Net extraordinary gains (losses)	(11,574)	(406,326)
Net gains (losses) on disposition of fixed assets	16,628	1,669
Losses on impairment of fixed assets	(41,240)	(65,786)
Net gains (losses) on change in equity	22,099	(21,311)
Losses on sales of shares of affiliates	(16,033)	—
Gains on sales of shares of affiliates	7,344	—
Amortization of goodwill	—	(343,368)
Gains on sales of shares of subsidiaries	—	31,462
<b>Profits before income taxes</b>	<b>1,042,036</b>	<b>829,443</b>
Income taxes-current	229,762	189,231
Income taxes-deferred	(44,694)	31,668
<b>Total taxes</b>	<b>185,068</b>	<b>220,899</b>
<b>Profits</b>	<b>856,967</b>	<b>608,543</b>
Profits attributable to non-controlling interests	79,949	80,392
Profits attributable to owners of parent	777,018	528,151

\*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 2020	FY 2019
<b>Total credit costs*2</b>	<b>(515,530)</b>	<b>(222,950)</b>

\*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 2020	FY 2019
<b>Profits</b>	<b>856,967</b>	<b>608,543</b>
<b>Other comprehensive income</b>		
Net unrealized gains (losses) on available-for-sale securities	486,026	(221,966)
Net deferred gains (losses) on hedging instruments	(56,879)	71,314
Land revaluation excess	—	36
Foreign currency translation adjustments	(148,051)	(2,681)
Remeasurements of defined benefit plans	319,058	(154,532)
Share of other comprehensive income of associates accounted for using equity method	(132,465)	(29,257)
<b>Total other comprehensive income</b>	<b>467,688</b>	<b>(337,087)</b>
<b>Comprehensive income</b>	<b>1,324,655</b>	<b>271,456</b>
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	1,254,959	177,138
Comprehensive income attributable to non-controlling interests	69,696	94,317

## Consolidated Financial Statements

## Consolidated Statements of Changes in Net Assets

(Millions of Yen)

FY 2020	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	980,102	10,855,798	(505,518)	13,471,894	2,066,363	189,342
Cumulative effects due to revision of accounting standards for foreign subsidiaries and affiliates			(120,236)		(120,236)		
Restated balance	2,141,513	980,102	10,735,561	(505,518)	13,351,657	2,066,363	189,342
Changes during the period							
Cash dividends			(321,837)		(321,837)		
Profits attributable to owners of parent			777,018		777,018		
Repurchase of treasury stock				(13)	(13)		
Disposal of treasury stock		(7)		2,737	2,730		
Reversal of land revaluation excess			9,449		9,449		
Changes of application of equity method			(104)		(104)		
Changes in subsidiaries' equity		(2,807)			(2,807)		
Net changes of items other than shareholders' equity						517,054	(57,775)
Total changes during the period		(2,814)	464,526	2,724	464,436	517,054	(57,775)
Balance at the end of the period	2,141,513	977,287	11,200,087	(502,794)	13,816,094	2,583,417	131,566

(Millions of Yen)

FY 2020	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	158,633	300,838	(159,766)	(36,470)	2,518,940	59	864,844	16,855,738
Cumulative effects due to revision of accounting standards for foreign subsidiaries and affiliates							(24,806)	(145,043)
Restated balance	158,633	300,838	(159,766)	(36,470)	2,518,940	59	840,037	16,710,695
Changes during the period								
Cash dividends								(321,837)
Profits attributable to owners of parent								777,018
Repurchase of treasury stock								(13)
Disposal of treasury stock								2,730
Reversal of land revaluation excess								9,449
Changes of application of equity method								(104)
Changes in subsidiaries' equity								(2,807)
Net changes of items other than shareholders' equity	(9,449)	(290,885)	322,955	(14,361)	467,538	(59)	73,646	541,125
Total changes during the period	(9,449)	(290,885)	322,955	(14,361)	467,538	(59)	73,646	1,005,561
Balance at the end of the period	149,183	9,953	163,189	(50,832)	2,986,478		913,684	17,716,257

(Millions of Yen)

FY 2019	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	1,034,641	10,640,655	(516,649)	13,300,160	2,249,231	122,516
Cumulative effects of changes in accounting policies			(17,550)		(17,550)		
Restated balance	2,141,513	1,034,641	10,623,105	(516,649)	13,282,610	2,249,231	122,516
Changes during the period							
Cash dividends			(304,543)		(304,543)		
Profits attributable to owners of parent			528,151		528,151		
Repurchase of treasury stock				(50,022)	(50,022)		
Disposal of treasury stock		(752)		2,527	1,774		
Retirement of treasury stock		(58,625)		58,625			
Reversal of land revaluation excess			9,084		9,084		
Changes in subsidiaries' equity		4,839			4,839		
Net changes of items other than shareholders' equity						(182,867)	66,825
Total changes during the period		(54,538)	232,692	11,130	189,284	(182,867)	66,825
Balance at the end of the period	2,141,513	980,102	10,855,798	(505,518)	13,471,894	2,066,363	189,342

(Millions of Yen)

FY 2019	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	167,681	339,713	(4,729)	4,702	2,879,115	217	1,082,184	17,261,677
Cumulative effects of changes in accounting policies								(17,550)
Restated balance	167,681	339,713	(4,729)	4,702	2,879,115	217	1,082,184	17,244,127
Changes during the period								
Cash dividends								(304,543)
Profits attributable to owners of parent								528,151
Repurchase of treasury stock								(50,022)
Disposal of treasury stock								1,774
Retirement of treasury stock								
Reversal of land revaluation excess								9,084
Changes in subsidiaries' equity								4,839
Net changes of items other than shareholders' equity	(9,048)	(38,874)	(155,036)	(41,173)	(360,175)	(157)	(217,340)	(577,673)
Total changes during the period	(9,048)	(38,874)	(155,036)	(41,173)	(360,175)	(157)	(217,340)	(388,388)
Balance at the end of the period	158,633	300,838	(159,766)	(36,470)	2,518,940	59	864,844	16,855,738

Introduction

MUGF's Pursuit of Value Creation

Management Strategies and Performance

Leadership and Governance

Financial Data / Corporate Data

## Consolidated Statements of Cash Flows

(Millions of Yen)

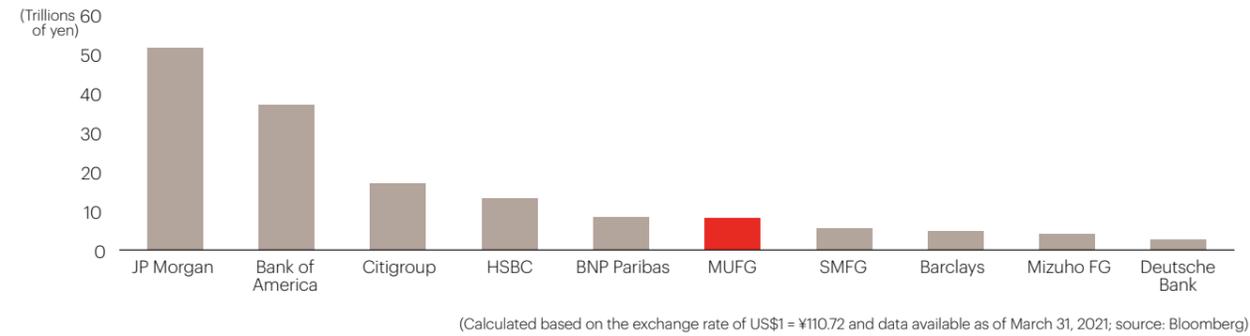
	FY 2020	FY 2019
Cash flows from operating activities:		
Profits before income taxes	1,042,036	829,443
Depreciation and amortization	338,617	330,371
Impairment losses	41,240	65,786
Amortization of goodwill	16,833	372,920
Equity in losses (gains) of equity method investees	(321,761)	(277,221)
Increase (decrease) in allowance for credit losses	216,270	20,148
Increase (decrease) in reserve for bonuses	8,477	8,086
Increase (decrease) in reserve for bonuses to directors	410	5
Increase (decrease) in reserve for stocks payment	(383)	484
Decrease (increase) in net defined benefit assets	(387,415)	49,212
Increase (decrease) in net defined benefit liabilities	2,247	4,109
Increase (decrease) in reserve for retirement benefits to directors	(185)	(0)
Increase (decrease) in reserve for loyalty award credits	(12,357)	12,519
Increase (decrease) in reserve for contingent losses	(26,234)	(59,390)
Interest income recognized on statement of income	(2,678,691)	(3,841,301)
Interest expenses recognized on statement of income	773,719	1,948,484
Losses (gains) on securities	(240,645)	(544,698)
Losses (gains) on money held in trust	56,796	(8,476)
Foreign exchange losses (gains)	(1,270,550)	847,932
Losses (gains) on sales of fixed assets	(16,630)	(1,669)
Net decrease (increase) in trading assets	(531,184)	(4,120,479)
Net increase (decrease) in trading liabilities	52,686	2,384,310
Adjustment of unsettled trading accounts	555,568	(240,582)
Net decrease (increase) in loans and bills discounted	1,092,978	(227,530)
Net increase (decrease) in deposits	24,839,332	6,503,304
Net increase (decrease) in negotiable certificates of deposit	327,904	(1,623,847)
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	6,621,372	8,353,562
Net decrease (increase) in call loans and bills bought and others	10,364,263	(12,772,206)
Net decrease (increase) in receivables under securities borrowing transactions	15,787	(719,976)
Net increase (decrease) in call money and bills sold and others	(8,133,589)	7,697,173
Net increase (decrease) in commercial papers	(347,748)	(158,147)
Net increase (decrease) in payables under securities lending transactions	(214,910)	151,607
Net decrease (increase) in foreign exchanges (assets)	(181,308)	477,953
Net increase (decrease) in foreign exchanges (liabilities)	(115,966)	(48,568)
Net increase (decrease) in short-term bonds payable	80,706	168,295
Net increase (decrease) in issuance and redemption of unsubordinated bonds payable	(287,095)	704,633
Net increase (decrease) in due to trust accounts	1,409,881	(483,538)
Interest income (cash basis)	2,821,239	3,970,441
Interest expenses (cash basis)	(844,633)	(1,965,180)
Others	(50,656)	395,291
Sub-total	35,016,420	8,203,259
Income taxes	(236,321)	(228,784)
Refund of income taxes	124,847	86,365
Net cash provided by (used in) operating activities	34,904,946	8,060,840

(Millions of Yen)

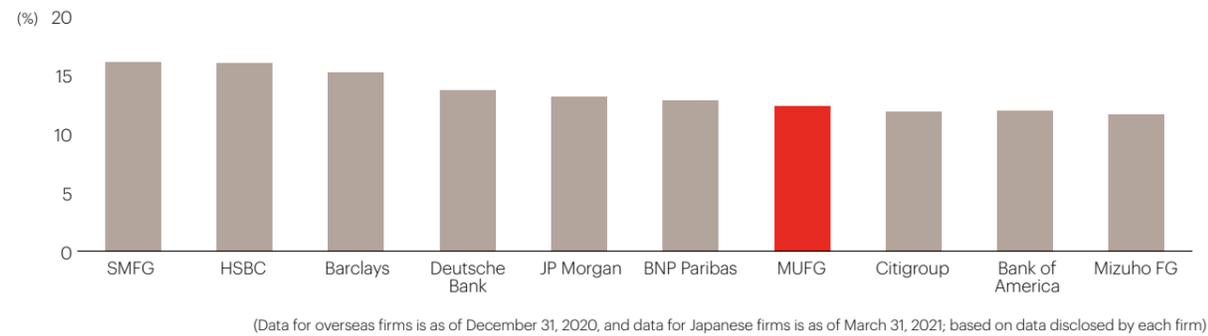
	FY 2020	FY 2019
Cash flows from investing activities:		
Purchases of securities	(116,742,577)	(90,417,706)
Proceeds from sales of securities	65,188,712	64,642,308
Proceeds from redemption of securities	42,121,240	23,887,868
Payments for increase in money held in trust	(1,241,659)	(810,487)
Proceeds from decrease in money held in trust	901,330	701,517
Purchases of tangible fixed assets	(133,671)	(127,176)
Purchases of intangible fixed assets	(263,119)	(318,853)
Proceeds from sales of tangible fixed assets	49,226	70,574
Proceeds from sales of intangible fixed assets	8,223	1,922
Payments for transfer of business	(520)	(559,561)
Payments for acquisition of subsidiaries' equity affecting the scope of consolidation	(23,239)	(494,920)
Proceeds from sales of subsidiaries' equity affecting the scope of consolidation		58,701
Others	(4,289)	(2,631)
Net cash provided by (used in) investing activities	(10,140,343)	(3,368,444)
Cash flows from financing activities:		
Proceeds from subordinated borrowings	20,000	31,720
Repayments of subordinated borrowings	(21,000)	(67,945)
Proceeds from issuance of subordinated bonds payable and bonds with warrants	272,742	586,670
Payments for redemption of subordinated bonds payable and bonds with warrants	(381,454)	(90,241)
Proceeds from issuance of common stock to non-controlling shareholders	4,856	3,823
Repayments to non-controlling shareholders	(23)	
Payments for redemption of preferred securities		(330,000)
Dividends paid by MUGF	(321,772)	(304,535)
Dividends paid by subsidiaries to non-controlling shareholders	(14,826)	(42,331)
Purchases of treasury stock	(13)	(50,022)
Proceeds from sales of treasury stock	2,143	2,291
Payments for purchases of subsidiaries' equity not affecting the scope of consolidation	(0)	(6,494)
Proceeds from sales of subsidiaries' equity not affecting the scope of consolidation	3,275	15,401
Net cash provided by (used in) financing activities	(436,071)	(251,664)
Effect of foreign exchange rate changes on cash and cash equivalents	316,544	(311,992)
Net increase (decrease) in cash and cash equivalents	24,645,076	4,128,739
Cash and cash equivalents at the beginning of the period	78,335,634	74,206,895
Cash and cash equivalents at the end of the period	102,980,711	78,335,634

## Performance Comparisons with Competitors\*1

### Market Capitalization



### Common Equity Tier 1 Capital Ratio



### Credit Ratings\*2

Moody's Holding Company Ratings	Japanese firms		U.S. Firms		European Firms
A1	MUFG	SMFG	Mizuho FG		
A2			JP Morgan	Bank of America	HSBC
A3			Citigroup		BNP Paribas
Baa1					
Baa2					Barclays
Baa3					Deutsche Bank

(Ratings as of May 31, 2021; based on data disclosed by each firm)

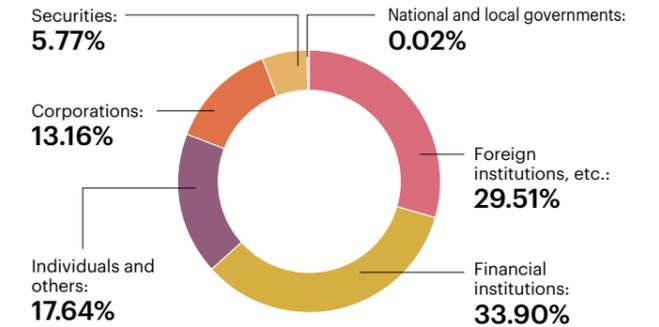
\*1 Overseas competitors used for performance comparisons are European and U.S. firms subject to a G-SIB buffer (announced in 2020) of 1.5% or more  
 \*2 BNP Paribas and Deutsche Bank: Non-preferred senior ratings  
 Others: Issuer ratings or long-term foreign currency denominated debt ratings

## Company Overview

### Corporate Information (As of March 31, 2021)

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)	13,581,995,120 shares
Stock Listing	Tokyo Stock Exchange, Nagoya Stock Exchange, New York Stock Exchange
Ticker Symbol Number	8306 (Tokyo Stock Exchange, Nagoya Stock Exchange)
Number of Shareholders	MUFG (New York Stock Exchange) 929,965

### Ownership and Distribution of Shares\*1



\*1 Excludes treasury shares and fractional shares

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

Mitsubishi UFJ Financial Group, Inc. ■ Consolidated subsidiary ● Equity method investee

#### Commercial Bank

- MUFG Bank, Ltd.
- MUFG Americas Holdings Corporation
- Bank of Ayudhya Public Company Limited
- PT Bank Danamon Indonesia, Tbk.
- Vietnam Joint Stock Commercial Bank for Industry and Trade
- Security Bank Corporation

#### Trust Bank

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

#### Securities

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

#### Credit Cards / Consumer Finance / Installment Credit

- Mitsubishi UFJ NICOS Co., Ltd.
- ACOM CO., LTD.
- JACCS CO., LTD.

#### Asset Management

- Mitsubishi UFJ Kokusai Asset Management Co., Ltd.
- MU Investments Co., Ltd.
- Mitsubishi UFJ Alternative Investments Co., Ltd.
- Mitsubishi UFJ Asset Management (UK) Ltd.
- Mitsubishi UFJ Baillie Gifford Asset Management Limited
- MUFG Lux Management Company S.A.
- First Sentier Investors Holdings Pty Ltd

#### Internet Bank / Regional Bank

- au Jibun Bank Corporation
- The Chukyo Bank, Ltd.

#### Leasing

- Mitsubishi UFJ Lease & Finance Company Limited
- Hitachi Capital Corporation (On April 1, 2021, the above two firms were merged and renamed Mitsubishi HC Capital Inc.)

#### Others

- Global Open Network, Inc.
- Japan Digital Design, Inc.
- MUFG Innovation Partners Co., Ltd.
- MUMEC Visionary Design, Ltd.
- Mitsubishi UFJ Real Estate Services Co., Ltd.
- Japan Shareholder Services Ltd.
- Mitsubishi Research Institute DCS Co., Ltd.

### Website

For more detailed information, please refer to our website.  
 URL: <https://www.muflg.jp/> (Japanese)  
 URL: <https://www.muflg.jp/english/> (English)

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