



Digital Transformation Strategy

September 11, 2017



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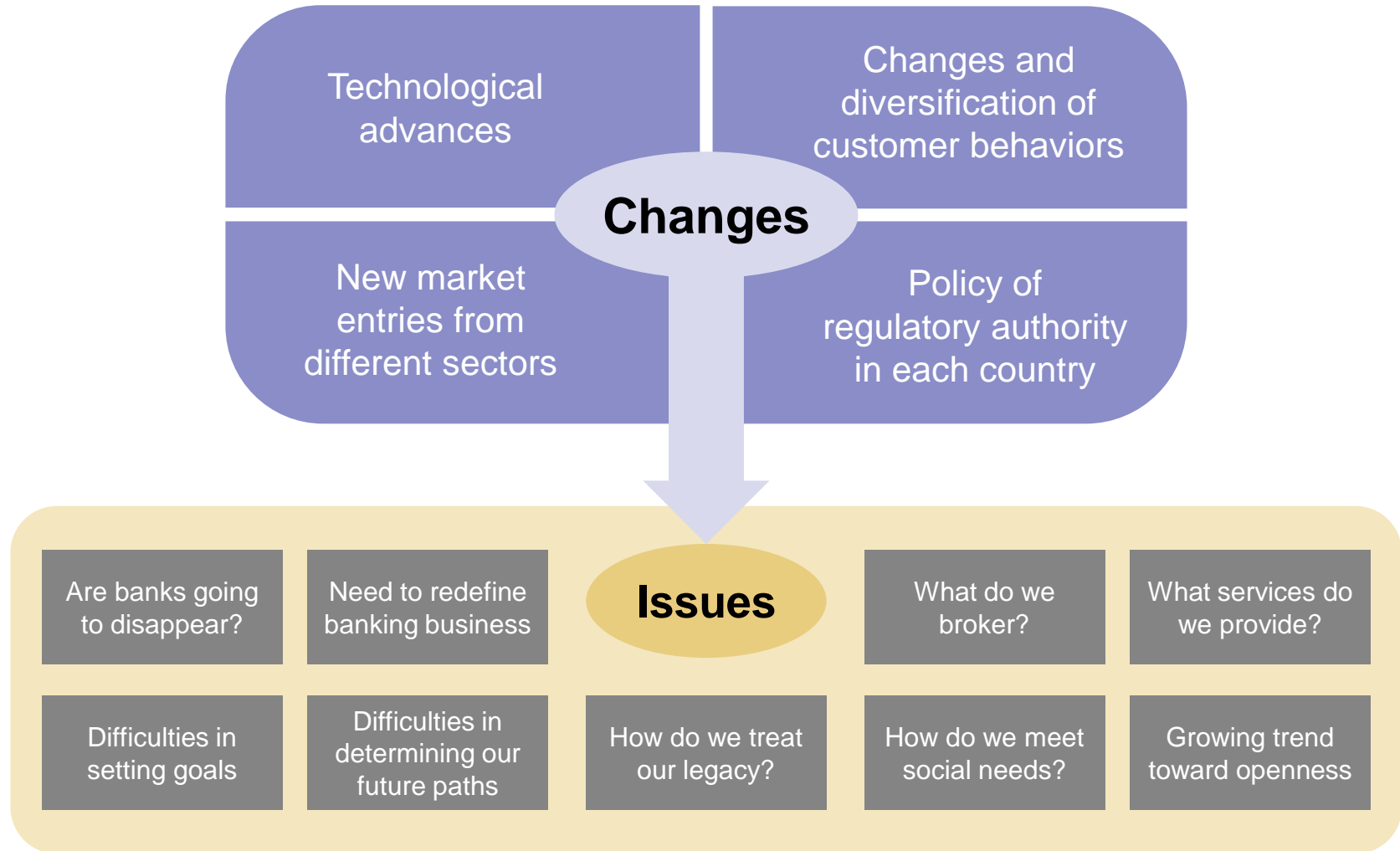
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1. MUFG's Approach and Policies

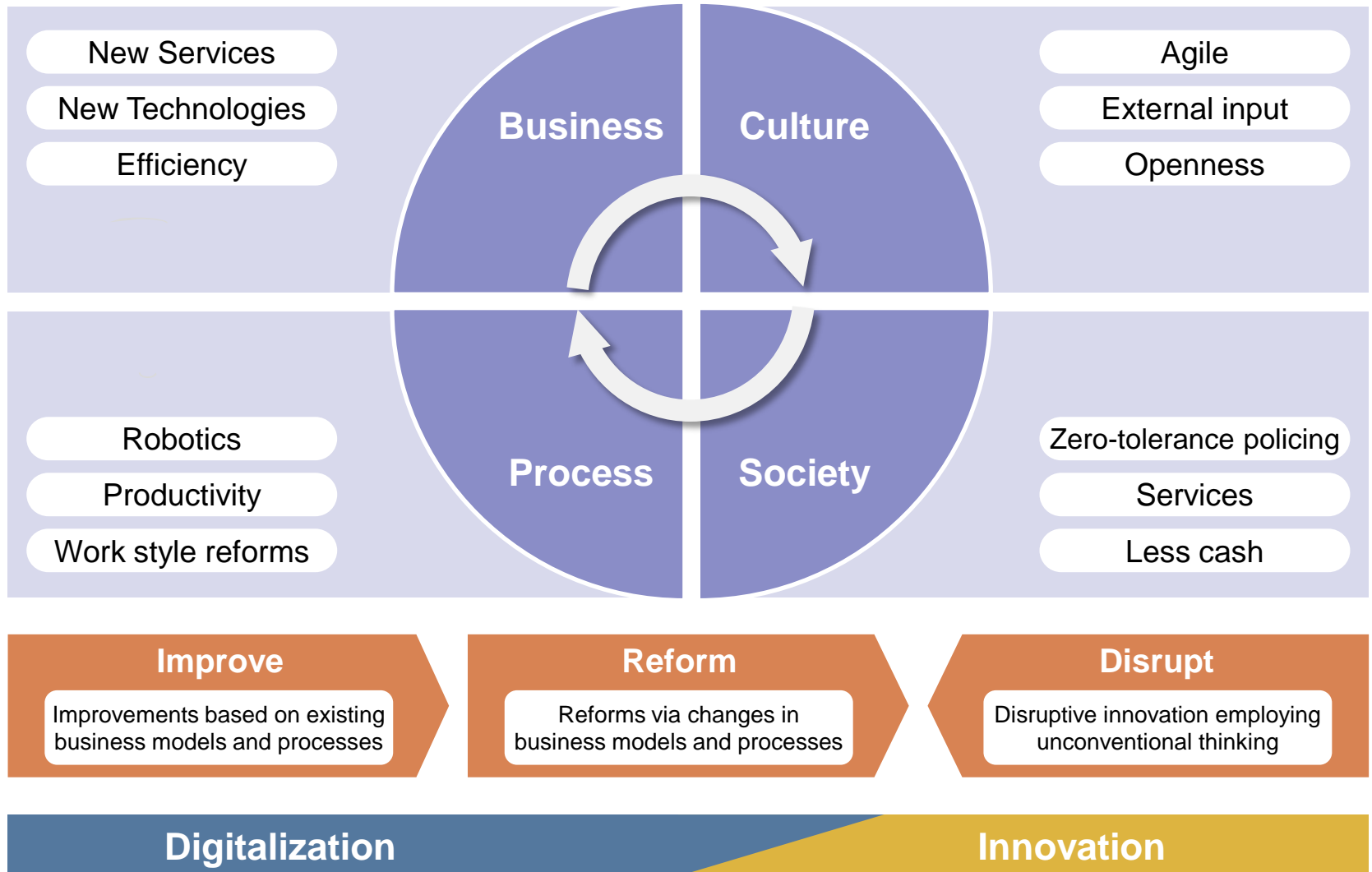
MUFG's Approach and Policies

– Changes in environment and issues to be considered



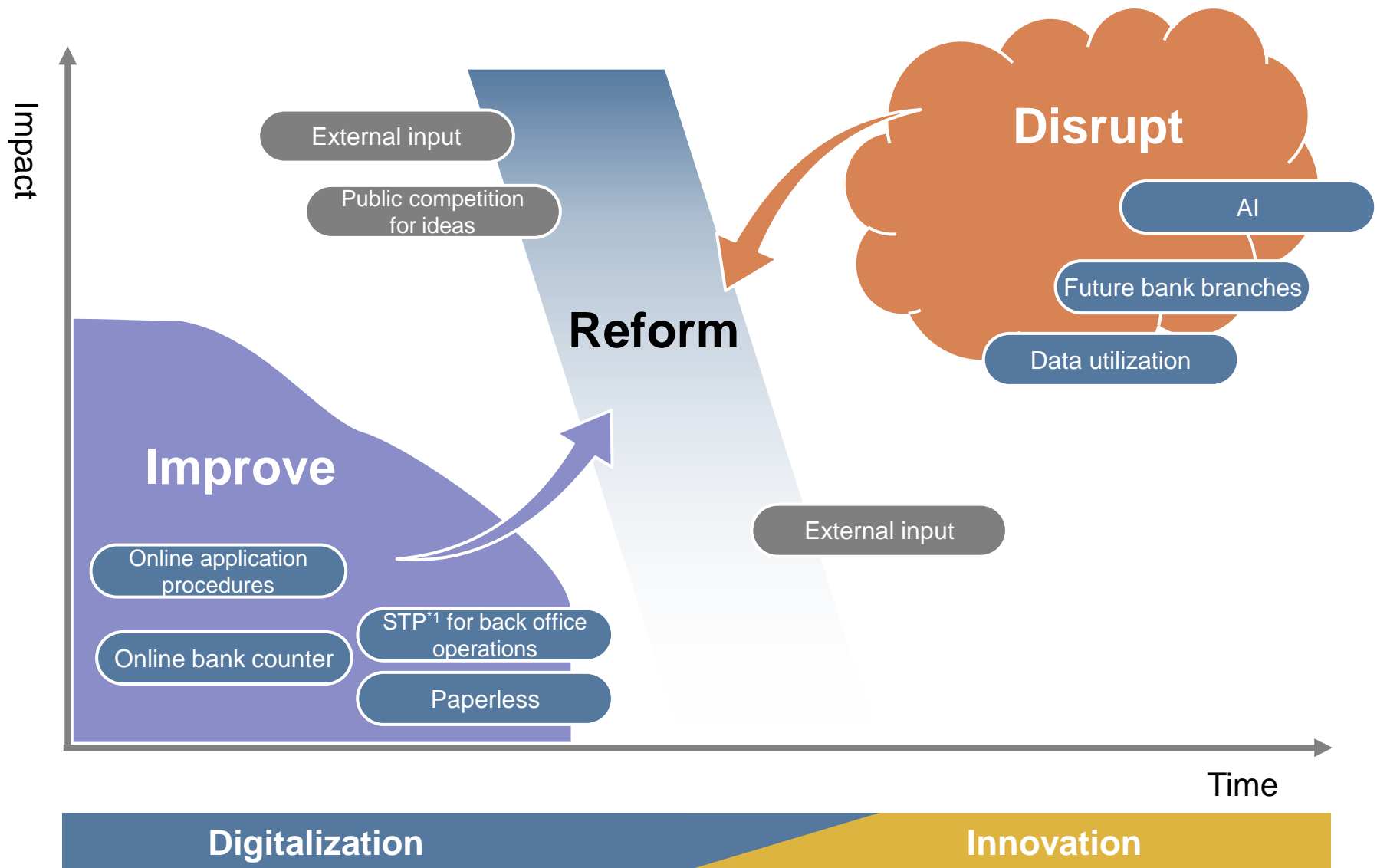
MUFG's Approach and Policies

– Four reforms and our approach



MUFG's Approach and Policies

– Digitalization and innovation

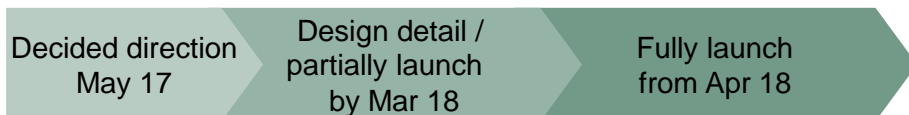


*1 Straight-Through Processing

MUFG's Approach and Policies

– MUFG Re-Imagining Strategy – Building Anew at MUFG

- Provide customers, employees, shareholders, and all stake holders with the best value through an integrated group-based management approach that is simple, speedy and transparent
- Also aim to achieve sustainable growth and contribute to the betterment of society by developing solutions-oriented businesses



Net operating profits
¥300 bn

=

Gross profits
¥180 bn

+

Cost reduction
¥120 bn

(note) Figures are rough estimation in FY23

1. Strengthening our management approach based on customer- and business-based segments

- (1) Further Wealth Management strategy
- (2) Reinforce business with large companies with group-unified service and global platform
- (3) Accelerate Asset Management business
- (4) Enhance Payment Platform

2. Business transformation through the use of digital technology

- (1) Improve customer convenience
- (2) Business process reengineering
- (3) Reform customer interface channels domestically and globally

3. Initiatives to improve productivity

- (1) Strategically review portfolio of existing investment in affiliates
- (2) Optimizing human resource allocation on a group-basis
- (3) Working-Style reforms(increase time to face customers)

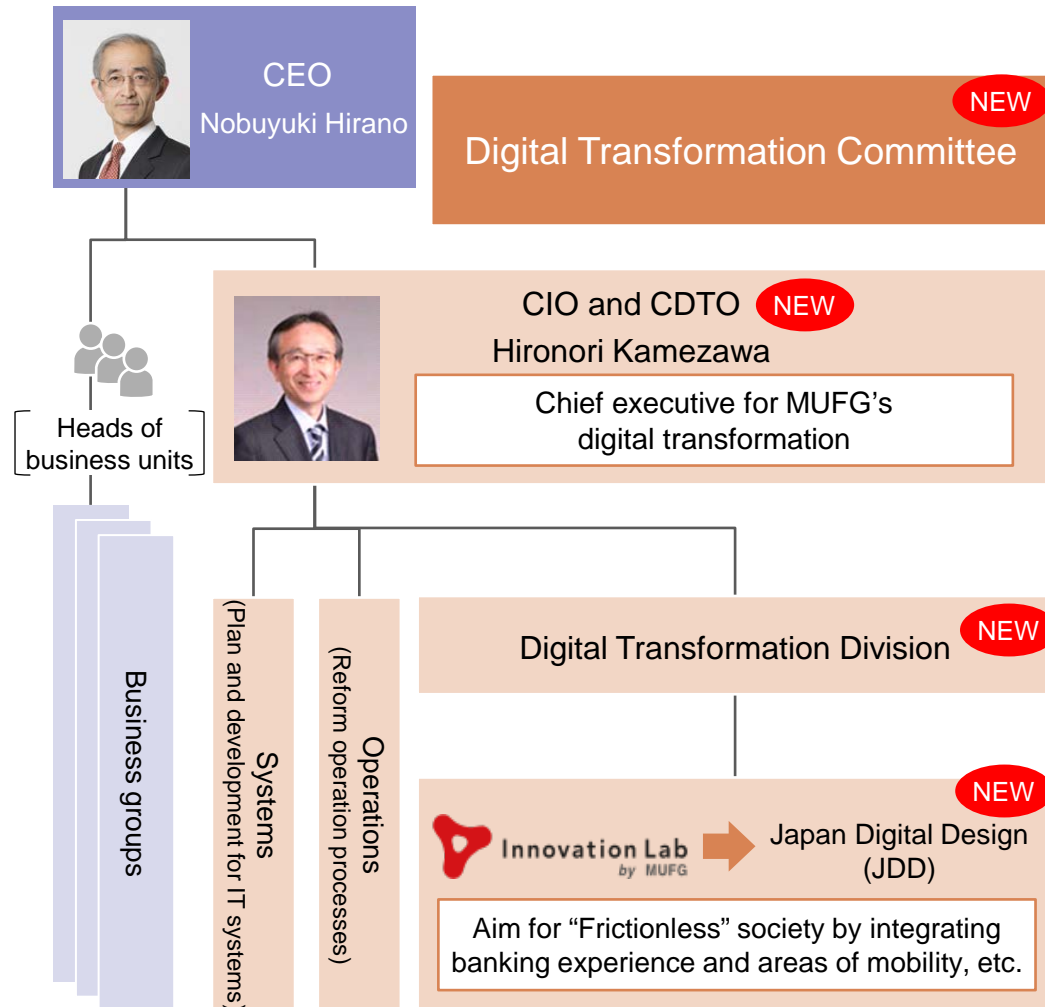
4. Reorganization of MUFG group management structure

- (1) Integrate corporate loan-related business of BTMU and MUTB
 - Establish the most suitable formation to service our corporate clients as one group
 - Clarify the mission and responsibility of each group member
- (2) Strengthen AM and IS businesses - New trust banking model
 - Accelerate AM and IS businesses as growth area for group
 - Make MUKAM a wholly owned subsidiary of MUTB
- (3) Review customer segmentation
 - Integrate Japanese retail banking and SME segments
 - Reorganize Japanese large corporate and global corporate segments respectively, each of which is managed globally across geographical boundaries
- (4) Establish the framework to promote our digital strategy
 - Appoint a Chief Digital Transformation Officer(CDTO)
 - Establish Digital Transformation Division
- (5) Reinforce retail payment business
 - Make MUN a wholly owned company of MUFG
- (6) Rename the commercial bank as “MUFG Bank”

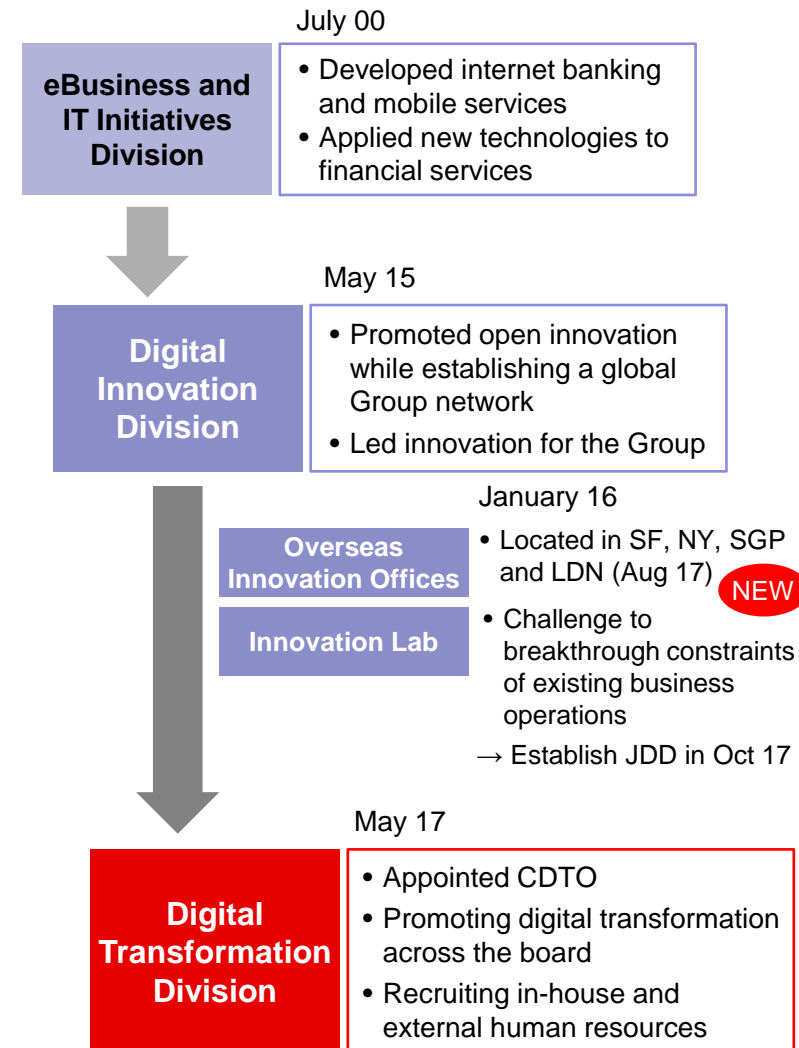
MUFG's Approach and Policies

– Framework for promoting digital transformation

Framework for promoting digital transformation



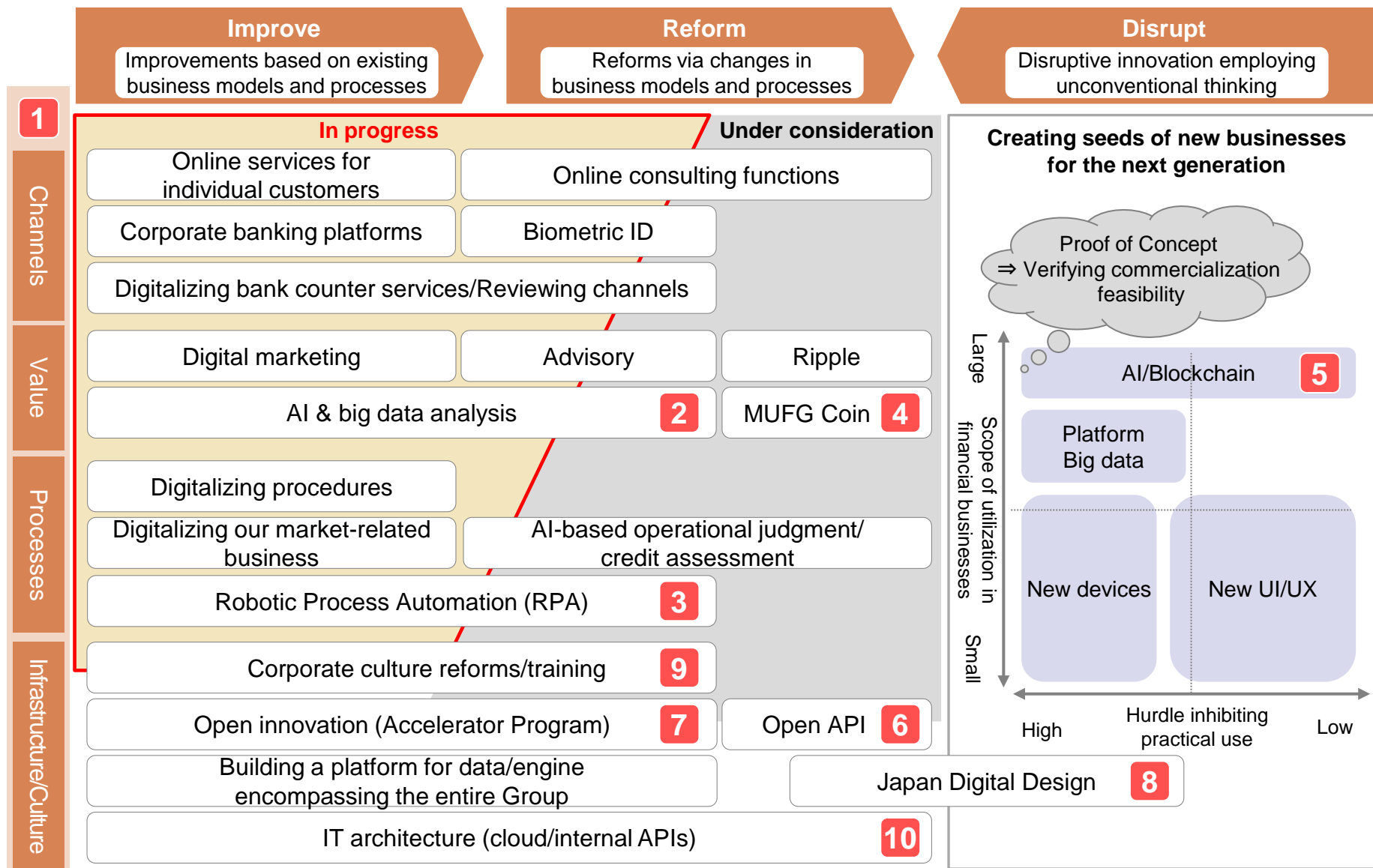
MUFG: Driving innovation



2. Strategic Overviews

Strategic Overviews

– Toward a ¥200 bn growth in net operating profit



Strategic Overviews

– Future vision

Design user-friendly UI

- Enhance UI/UX by placing strong focus on user convenience
- Automate back office operations

Pursue cost reduction via reorganization and integration of branch network

- Step up initiatives to usher customers into digital channels
- Realize cost reduction effects

Create new business on a group basis with incorporating external expertise

- Develop overarching platforms for the entire Group
- Enhance efficiency by sharing operational resources across the board



Improvement of efficiency and convenience

Phase 1

Cost reduction

Phase 2

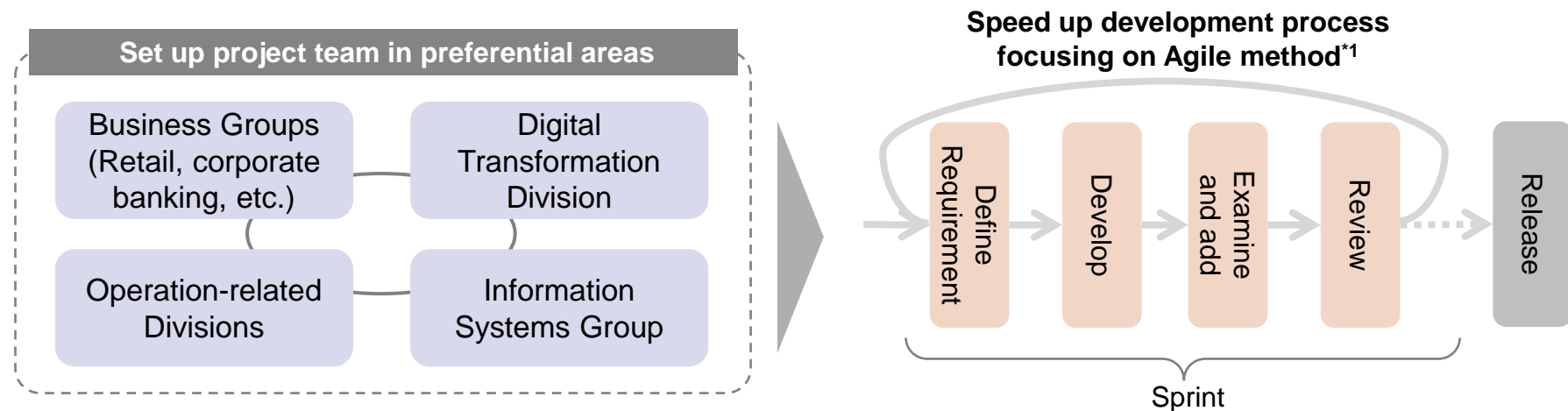


Profit growth

Phase 3



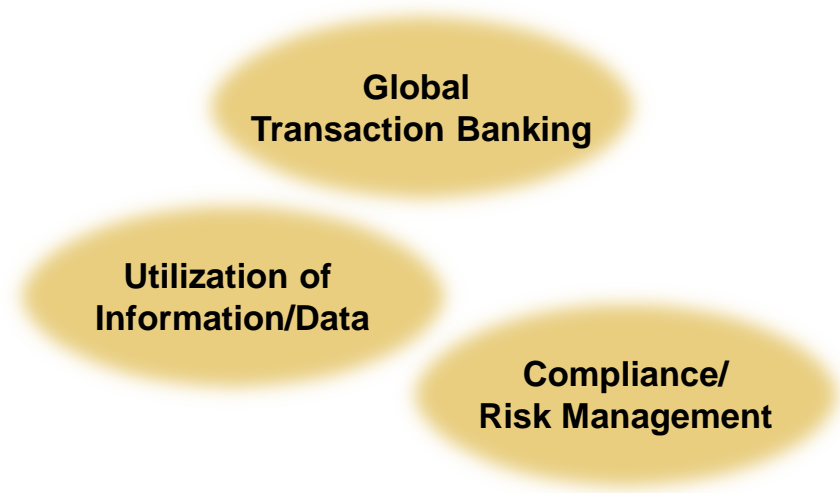
Strategies in business segment



Examples

Retail and Loans	<ul style="list-style-type: none">Promote online application proceduresExpand transactional options using smartphones
Japanese Corporate Banking	<ul style="list-style-type: none">Optimize non face-to-face channelsAutomate back office operations
Global Markets	<ul style="list-style-type: none">Step up digitalization of foreign exchange transactionsDevelop AI-based trading models

Areas to be addressed



*1 Swift and adaptive methodology of software development

3. Major Initiatives in Innovation

Major Initiatives in Innovation

Big Data

- Marketing
- Business development & predictive risk control



Robotics

- Robots at branch (“Nao”)
- Automation of manual labor at domestic and overseas operation centers



AI (Artificial Intelligence)

- IBM's Watson provides customer inquiry and wealth planning consultation
- Organizational vitalization through behavioral analysis
- AI-driven investment fund for securing absolute return



Blockchain

- Participating in DLG^{*1}
- Investment in Coinbase
- MUFG Coin under development
- PoC^{*2} testing for check digitalization with Hitachi in Singapore



Digital marketing

- Marketing using SNS
- Intersection of mobile banking and marketing (Apps for investment trust beginners and opening investment accounts)



API^{*3}

- Open APIs to external parties
- Started from services for corporate customers



^{*1} Distributed Ledger Group

^{*2} Proof of Concept

^{*3} Application Programming Interface: A set of programming instructions and standards for accessing a software application

Major Initiatives in Innovation

– AI/Big data

2

- An AI-based automated response system that accommodates inquiries via smartphone apps and phone calls and provides answers for FAQs is in operation
- Conducting research into the replacement of existing operations with AI by focusing on five key themes in anticipation of technological maturity in the foreseeable future

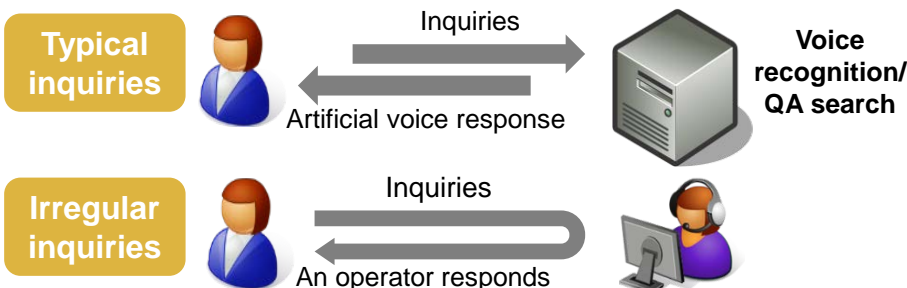
Automated response to FAQ (in service)

Replace operator



Automated telephone inquiry systems

Right response ratio:
(1st time) 78%, (from 2nd onward) 94%



Replace with AI-based operations

Estimated proportion of operational processes that can be replaced with AI:
Approx. 40%

Five key themes

Helpdesk	Automated inquiry response
Processing of forms	Sorting of and data entry associated with paper-based transfer request forms
Search	Sophisticated information collection and easier information access
Sales assistance	Information gathering and proposals for next action
Credit assessment	More efficient credit assessment

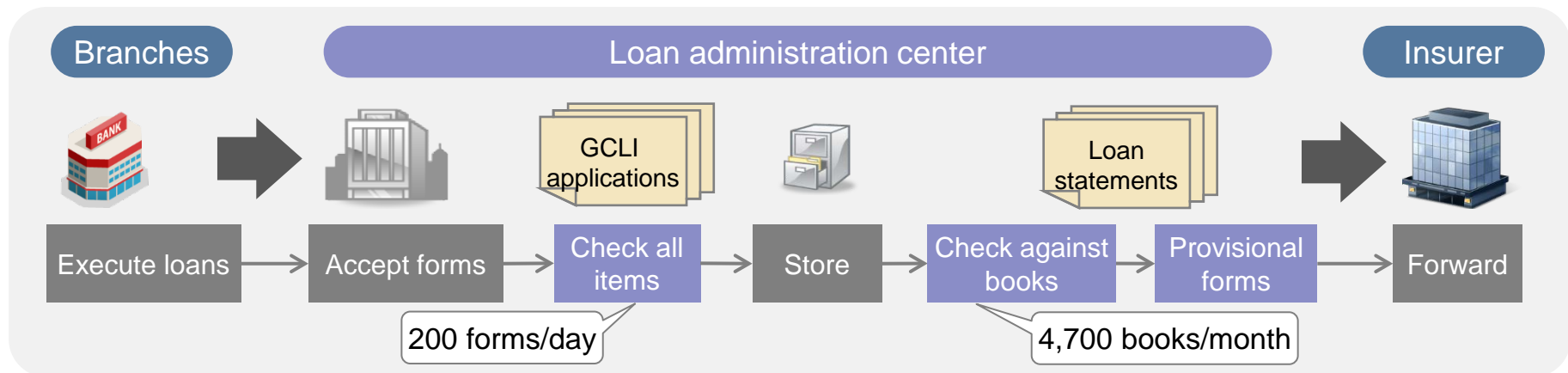
Major Initiatives in Innovation

– RPA (Robotic Process Automation)

3

- BTMU streamlined more than 20 types of operations, such as those related to foreign exchange, mortgage loan and settlement services, setting precedents among Group companies
- Cut 2,500 hours equivalent labor that had been annually spent on checking mortgage group credit life insurance application forms

Existing process



Robotic Process Automation (RPA)

- Solution that realizes operational efficiency by replacing and automating human works by robotics
- Convert paper forms and loan statements to digital data via scanning
- Automatically check such data for omissions of required entries, inconsistency with booked data and other shortfalls based on specially designed logics employing robotics



- Enhance operational efficiency
- Reduce the occurrence of human errors

MUFG COIN

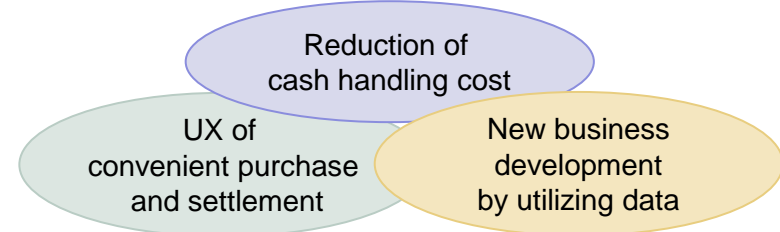


Start screen

Current functions
(developed)

Expanded
functions
(under development)

Ideals for MUFG Coin



Issues associated with virtual currencies

Value is unstable due to market fluctuations
(Not suited for settlement)

Reliability of issuers has yet to be established
(Crime risk)

Maintain stable value backed by the bank
(1 Coin = JPY 1)

Trusted settlement infrastructure

New services under discussion

Provide membership privilege and settlement service

Points and coupons furnished in MUFG coin; highly efficient branch operations and more sophisticated marketing

B2C

Streamline supply chain

Integrate management of transaction and reconciliation; enhanced efficiency in intergroup transactions/cash management

B2B

Use in combination with IoT

Micropayment in decimal value increments and a "pay-for-use" system

C2M*1

*1 Consumer to Machine

Global

R3

- Participating in DLG, with 70+ global financial institutions

Ripple

- Participating in consortiums of GPSG

Enterprise Ethereum Alliance

- Participating in consortiums

Utility Settlement Coin

- Participating in consortiums aiming efficient inter-bank clearing and settlement

Japan

Japan Exchange Group

- Participating in JPX PoC

MUFG

- Planning to launch MUFG Coin as a new tool of transaction

Japanese Bankers Association

- PoC of inter-bank settlement

United States

Coinbase

- Investment in virtual currency exchange (Coinbase)

Chain

- Testing digital promissory note with Chain

Singapore

Hitachi Group

- Testing digital check with Hitachi Group

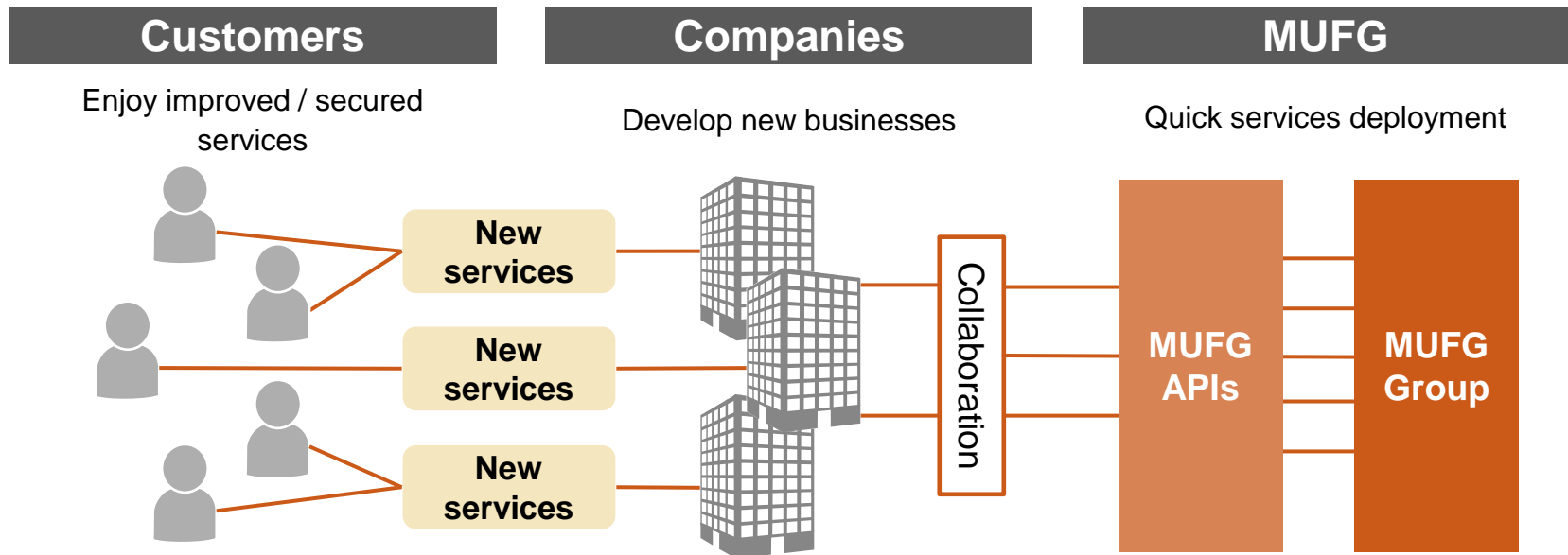
IBM

- Digitalization of system documents with IBM

MAS

- PoC of inter-bank settlement

4. Approach to Open Innovation



Customer service content*1			
Scheduled	Introduced		
Retail API Bank Obtain account data and execute transfer (for retail customer)	BizSTATION API Bank Obtain account data and apply for transfer (for corporates customer)	Kabu.com API Securities Place orders for stock, futures and option transactions, confirm the content of orders and make balance inquiries	eMAXIS Web API AM Data confirmation service for customers of eMAXIS Index Fund series

*1 As of end of Aug 17

Approach to Open Innovation – Accelerator Programs

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Approach to Open Innovation

– Track record of collaborations with startups

The 1st round: MUFG Fintech Accelerator

Partners	MUFG	Collaboration
xenodata lab.	kabu.com	AI-driven solution that automatically creates financial analysis reports and distributes them to individual investors
	kabu.com	Chart analysis services
AlpacaDB	Jibun Bank	Foreign currency deposit management assistance tool with AI-based market prediction capabilities
	BTMU	Construction of market forecast model
ZEROBILLBANK	kabu.com	Trial operation of a blockchain based virtual coin system for corporate customers

The 2nd round: MUFG Digital Accelerator

Partners	MUFG	Collaboration
Robot Fund	kabu.com	Graphical indication of investment trust fees (in line with fiduciary duty)
	MUMSS	Distribute stock price information via SMS
Good Moneyger	kabu.com	API-based joint development of robot advisor VESTA
AnyPay	Jibun Bank	Collaborative service using bank accounts 1st initiatives
	ACOM	Consumer loans for service users are under consideration 1st initiatives
Slmount	MUL	Discuss collaboration in inventory-backed finance scheme
Crowd Realty	MUL	Collaboration in local vitalization projects

Approach to Open Innovation – Overseas

Global innovation teams

- Opened innovation center in Silicon Valley in 14, accelerated collaboration with FinTech startups in the United States
- Invested in Coinbase, Inc. and other U.S.-based VCs while partnering with Plug and Play, LLC
- Second staff to London in Aug 17, following that to Singapore in 16

Silicon Valley since 14



New York since 16



Singapore since 16



NEW London since 17



Investments in FinTech startups

Investment policy

Investees boasting forward-thinking or unique ICT-based technologies and business models

Investees with sufficient potential to enter business collaboration with MUFG



Coinbase Partners with BTMU

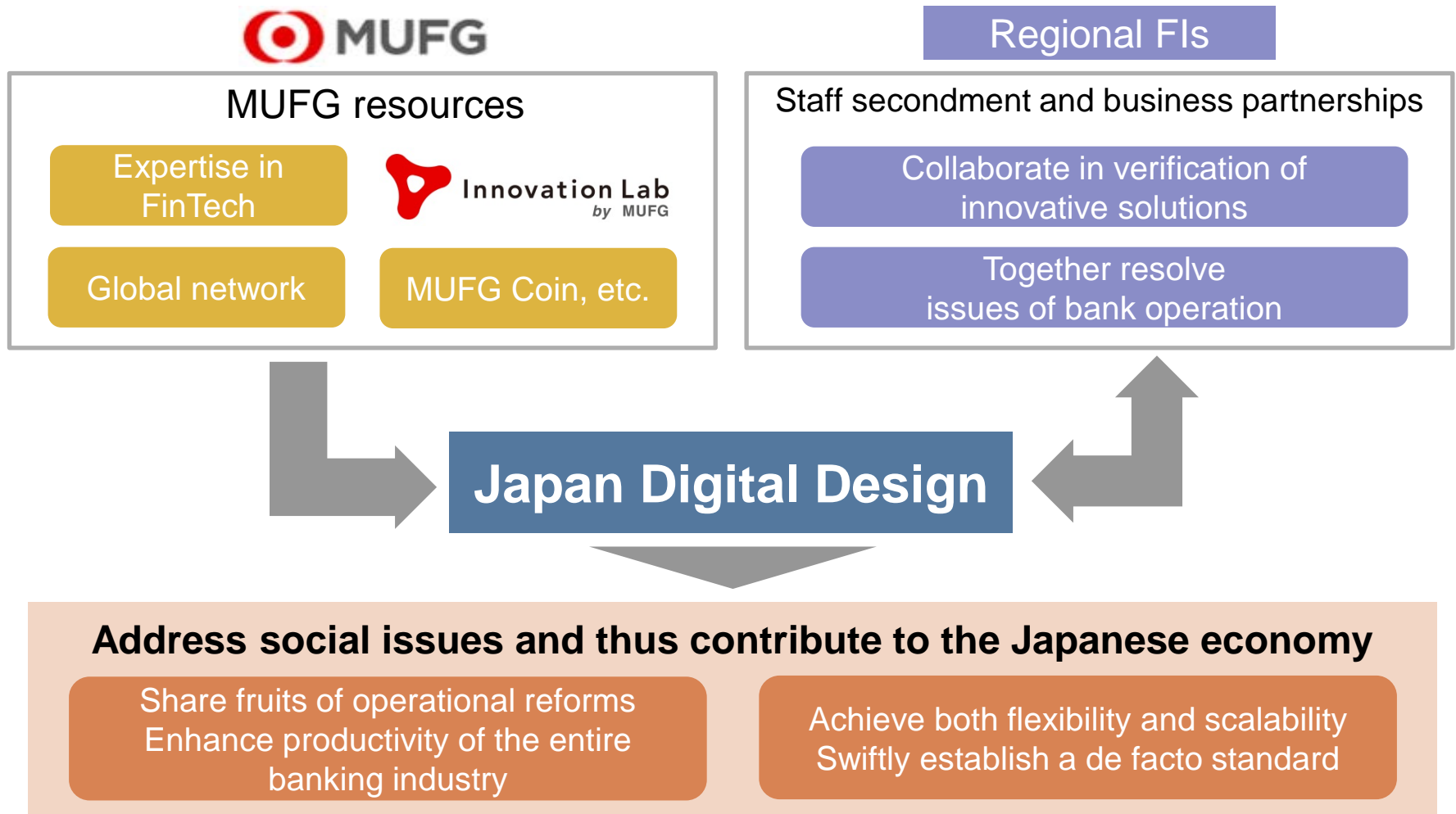
We are pleased to announce that Coinbase and Bank of Tokyo-Mitsubishi UFJ (BTMU) have formed a strategic partnership to support Coinbase's long-term international expansion efforts. BTMU is the largest bank in Japan and a subsidiary of the Mitsubishi UFJ Financial Group (MUFG). Additionally, BTMU, Mitsubishi UFJ Capital (MUCAP), and Sozo Ventures* have jointly made a strategic investment in Coinbase.

At Coinbase, our mission is to create an open financial system for the world by building the bridge between financial institutions and the new world of digital finance. Partnering with leading global financial institutions is a key part of our strategy and we are thrilled to be working with BTMU.

Approach to Open Innovation – Japan Digital Design (1)

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- Plan call for establishing Japan Digital Design (JDD) in Oct 17



JDD's business areas

(1) Innovation Lab

- Operate sandbox
- Research and commercialize AI/Blockchain
- Commercialize authentication
- Commercialize of audio/IoT devices

- Next-generation UI/UX
- Less cash
- Aging society

(2) Alliance

- Customized development of software
- Customized PoC/Mock, etc.

(3) Business development

Approach to Open Innovation

– Japan Digital Design (3)

- Expand the team to 50 members in 3 years including members seconded from participating banks and outside Group

Legal Name	Japan Digital Design, Inc.
Main business	(1) Investigation, research and technical development contributing to raising the sophistication of banking. (2) Development, sales and operation of IT systems contributing to raising the sophistication of banking. (3) Consulting and human resource development contributing to raising the sophistication of banking.
Location	Chuo-ku, Tokyo
Capital	JPY 3 billion (TBD)
Shareholders	Wholly-owned subsidiary of MUFG

The regional financial institutions scheduled to sign the business collaboration agreement

The Aomori Bank, Ltd.	The Kagoshima Bank, Ltd.	The Daishi Bank, Ltd.	The Hiroshima Bank, Ltd.
The Akita Bank, Ltd.	The Kiyo Bank, Ltd.	The Chiba Bank, Ltd.	The Fukui Bank, Ltd.
The Awa Bank, Ltd.	The San-in Godo Bank, Ltd.	The Chugoku Bank, Ltd.	Fukuoka Financial Group, Inc.
The Senshu Ikeda Bank, Ltd.	The Shiga Bank, Ltd.	The Tottori Bank, Ltd.	The Musashino Bank, Ltd.
The Iyo Bank, Ltd.	The Shizuoka Bank, Ltd.	The Nanto Bank, Ltd.	The Yamagata Bank, Ltd.
The Bank of Iwate, Ltd.	The 77 Bank, Ltd.	The Hachijuni Bank, Ltd.	Yamaguchi Financial Group, Inc.
THE OITA BANK, LTD.	The Juroku Bank, Ltd.	The Hyakugo Bank, Ltd.	The Yamanashi Chuo Bank, Ltd.
The Bank of Okinawa, Ltd.	The Joyo Bank, Ltd.	The Hyakujushi Bank, Ltd.	Bank of The Ryukyus, Ltd.

5. Corporate Culture Reforms

Practice new work styles

- “Culture of Failure”
- Encourage open discussion unrestricted by precedent

“Project-oriented”

Dependent on flawless planning and intolerant of error while blind to lost opportunities

“Product-oriented”

Focus on better customer experience, swift operations and the pursuit of challenging goals while learning from mistakes (try even if there's no single correct answer)



Workshop themed on agile development

Corporate Culture Reforms (2)

Corporate culture reforms

Current issues

Silo-based organizations

Meticulously defined work processes

Overtly strong risk aversion

Heavy reliance on in-house expertise and experience

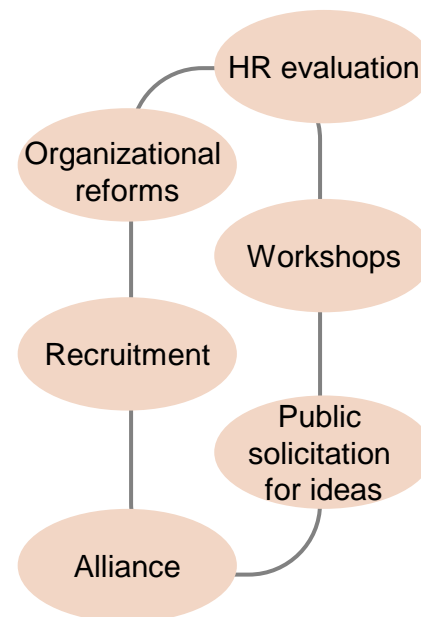
Reforms

Collaboration beyond boundaries of entities and departments

Flexible work processes

“Let’s give it a try” mentality

Continuous pursuit of innovation



- Build innovative concepts while agilely making decisions
- Bring ideas that transcend the scope of sectional expertise into discussions
- Streamline operations and uncover overlaps to allow the better allocation of HR capacities to tasks aimed at creating value

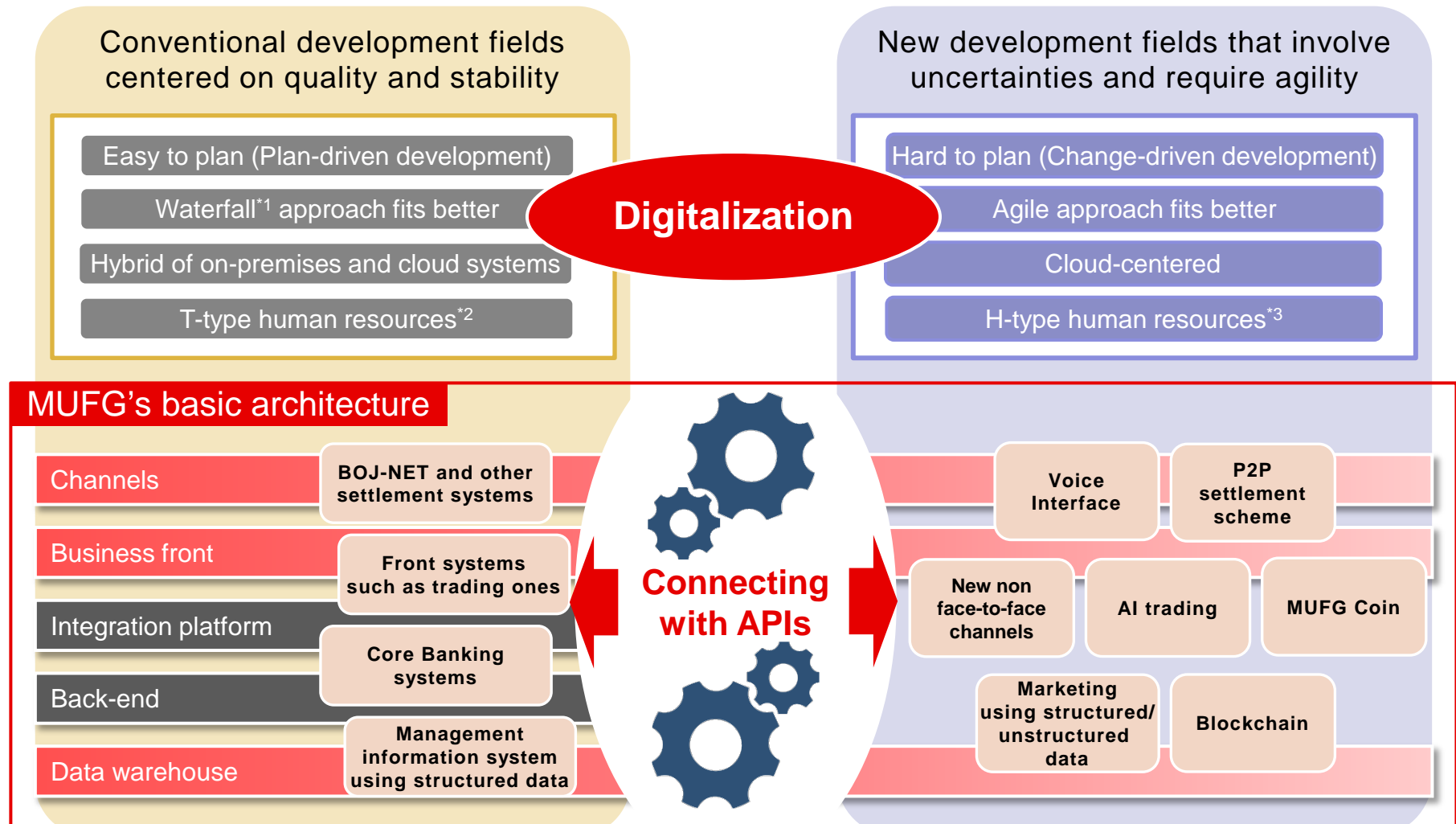
6. IT Architecture Strategy

IT Architecture Strategy

– “2Way Architecture”

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- Promote digitalization based on a “2Way Architecture” concept



*1 A system development method that divides the entire process into several phases and completes each phase sequentially

*2 A type of human resources who have strength in one specific field while having insights into peripheral fields

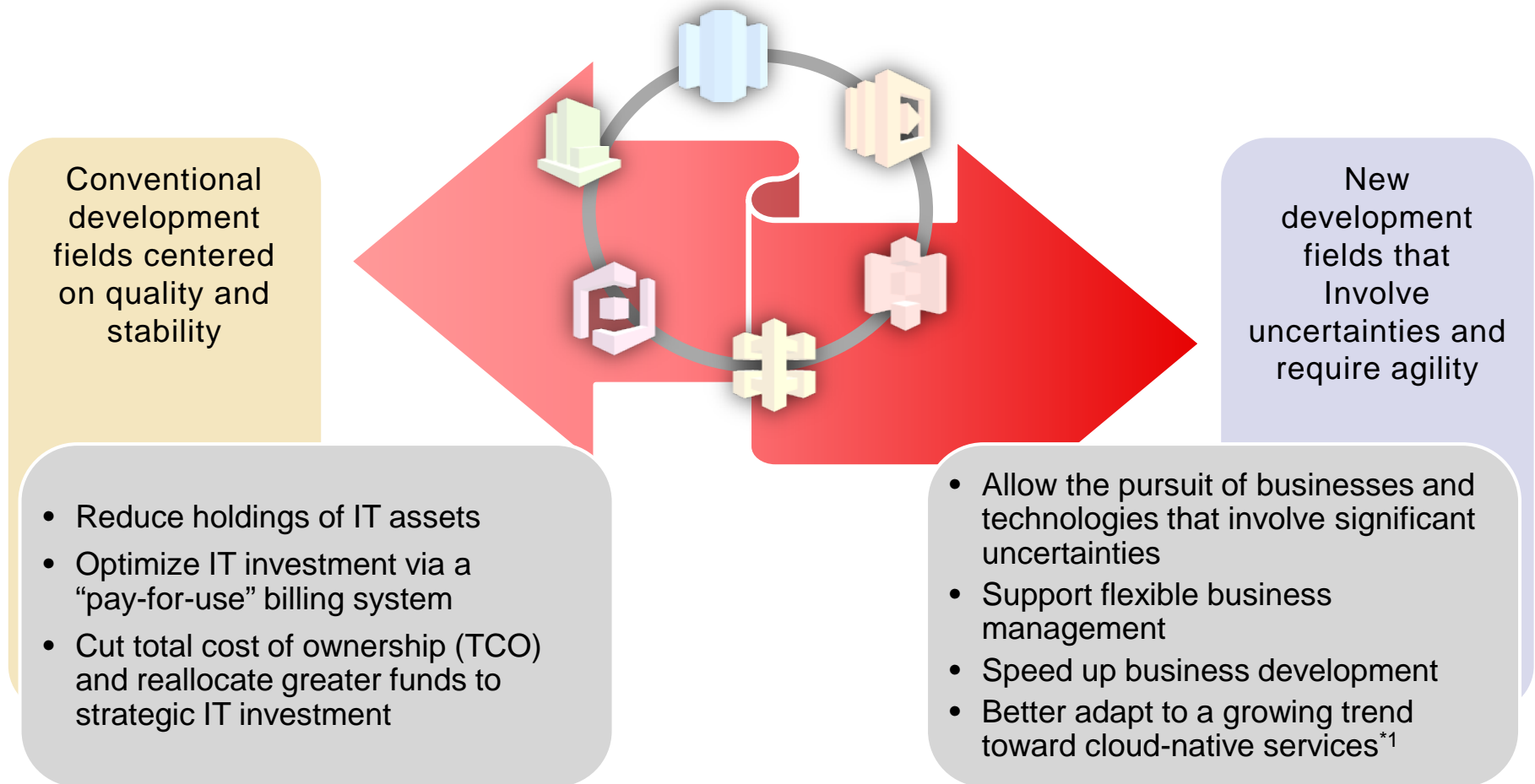
*3 A type of human resources who have strength in one specific field while maintaining connection with people in other fields

IT Architecture Strategy

– Public cloud (1)

- Support digitalization by preferentially utilizing public cloud services

Our aim of utilizing public cloud



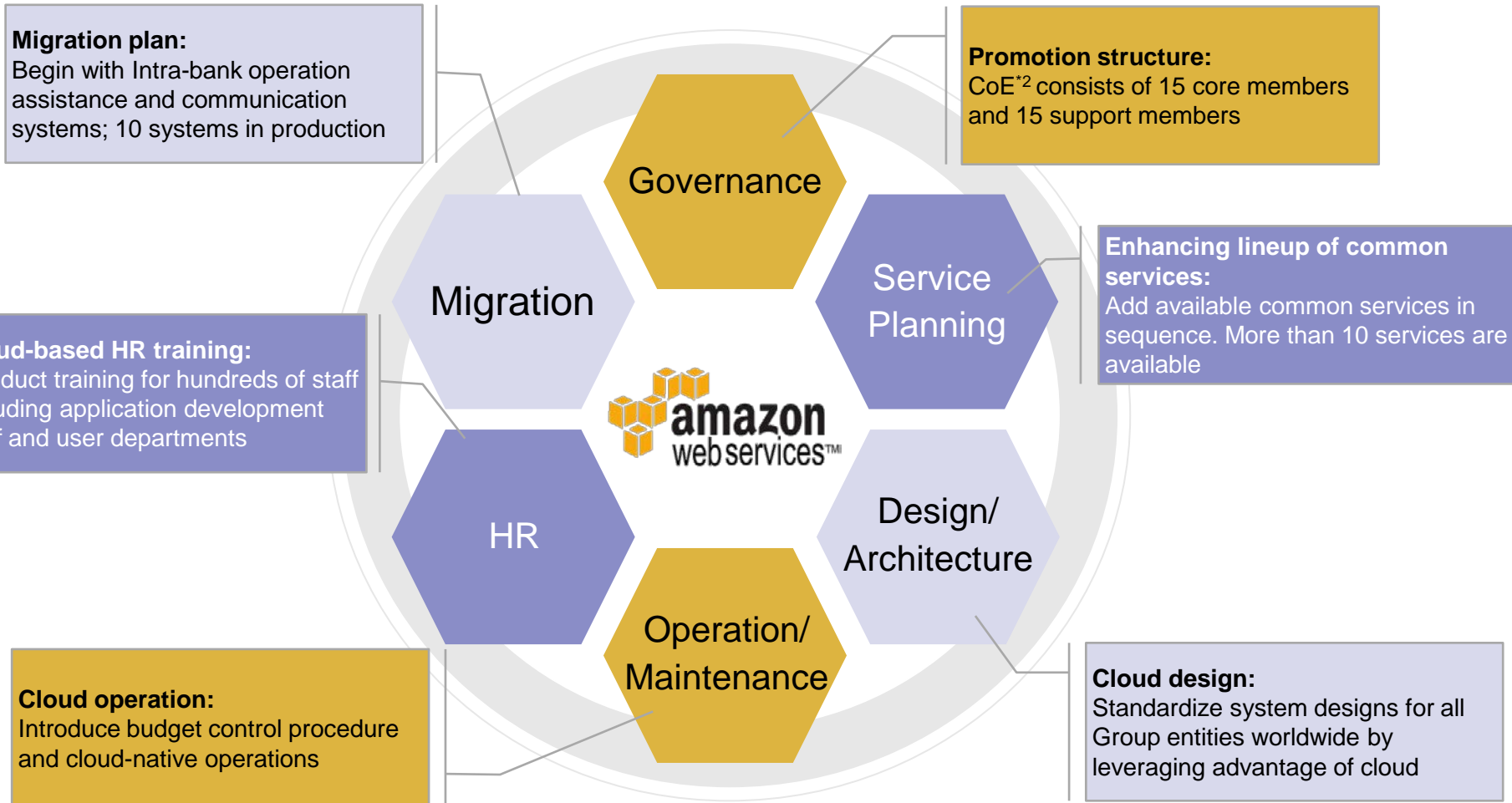
^{*1} Systems and services that are designed on the premise of their primary use being cloud-based

IT Architecture Strategy

– Public cloud (2)

- MUFG utilizes AWS as an IaaS^{*1}

Six initiatives around AWS cloud



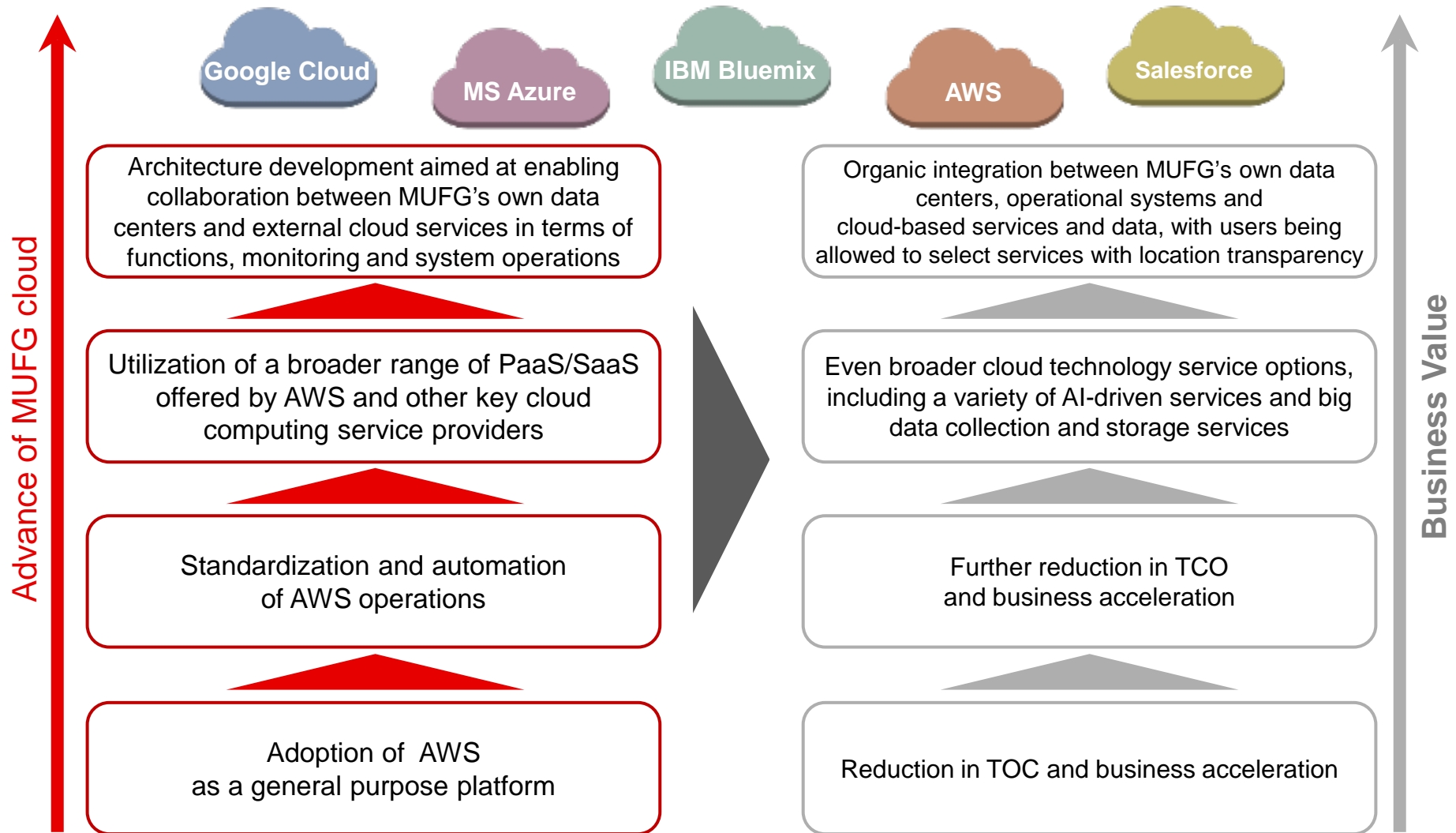
^{*1} Infrastructure as a Service: A form of on-demand cloud computing services that provide IT infrastructure such as hardware resources

^{*2} Center of Excellence: A team of specialists who take lead in a specific project and operate across the board

IT Architecture Strategy

– Public cloud (3)

- MUFG utilizes AWS as an IaaS that organically collaborates with other necessary PaaS^{*1}/SaaS^{*2}



^{*1} Platform as a Service: A form of on-demand cloud computing services that provide platforms for developing and operating software

^{*2} Software as a Service: A form of on-demand cloud computing services that provide software