



SRI – Spreading in the World

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

Rising Japanese Interest in SRI

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

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

Pension Funds Hold the Key to Expanding SRI

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

Investment Will Power Environmental and Social Change

The MUFG Group strives to spread SRI.

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

Expansion of SRI Investment Trusts

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

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

Our Responsibility as a Premier Comprehensive Global Financial Group

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



From the Frontlines

Project Team to Promote SRI Funds

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

