

Foundations of Value



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

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

Concepts behind MUFG's Customer Relations

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

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

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

Pursuing Customer-Centric Business Management

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

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

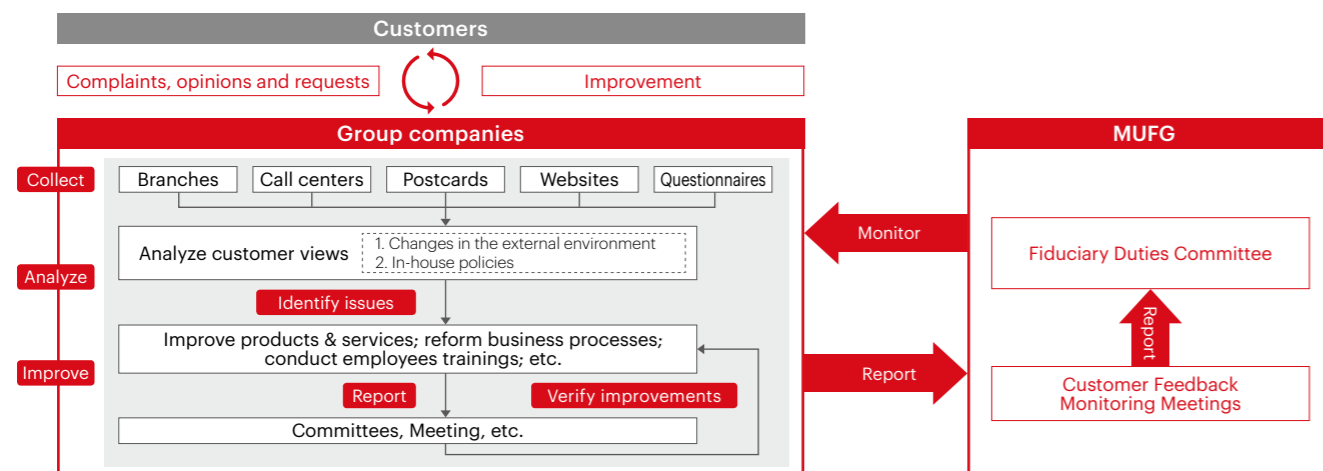
Incorporating Customer Feedback to Improve Our Operations

Monitoring System

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

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

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

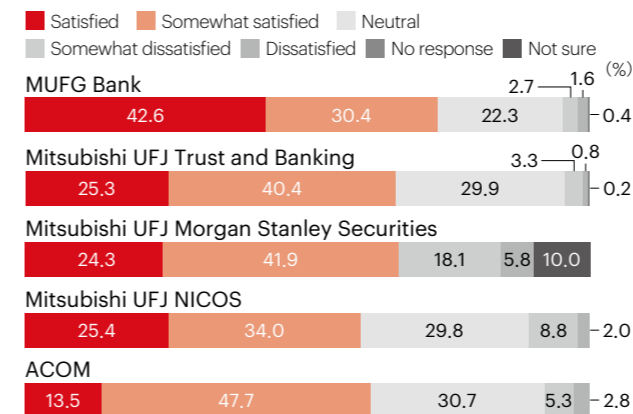


Customer Satisfaction Surveys

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

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

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



Quality Improvement Initiatives

Quality Management That Takes into Account the Customer's Perspective

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

Training Our Employees to Enhance Customer Relations

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

Introducing Universal Design

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

Enhancing Reception Skills

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



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

Offering Services Using Sign Language and Communicating via Text

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

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

Nurturing Professionals and Encouraging Them to Pursue Higher Targets

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

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

MUFG Human Resources Principles

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

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

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

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

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

Medium-Term Business Plan

Integrated management of groupwide human resources

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

Sophisticated HR management on a global basis

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

Allocate resources to the pursuit of operational streamlining and priority strategies

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

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

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

Human Resources Development

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

The Establishment of MUFG University

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

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

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

Nurturing Employees with Multiple Skills

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

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

Integrated Management of Human Resources around the Globe

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

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

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



6 Workstyle Reforms

Promoting Diversity & Inclusion

Helping Strike a Balance between Work and Child Rearing

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

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



Children being cared at an MUFG childcare facility

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

Helping Strike a Balance between Work and Nursing Care

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

Facilitating the Understanding of Sexual Minorities

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



MUFG Global Diversity Forum

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

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

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



Stepping up Diversity Management

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

Promoting Flexible Workstyles

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

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

Assisting Women with Career Development

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

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

*² The sum of MUFG Bank, Mitsubishi UFJ Trust and Banking and Mitsubishi UFJ Morgan Stanley Securities

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

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

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

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

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

Supporting Individuals with Disabilities to Become Active Participants in the Workforce

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

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

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

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

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

Note: Statutory employment rate: 2.2%

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



A round-table meeting with executives

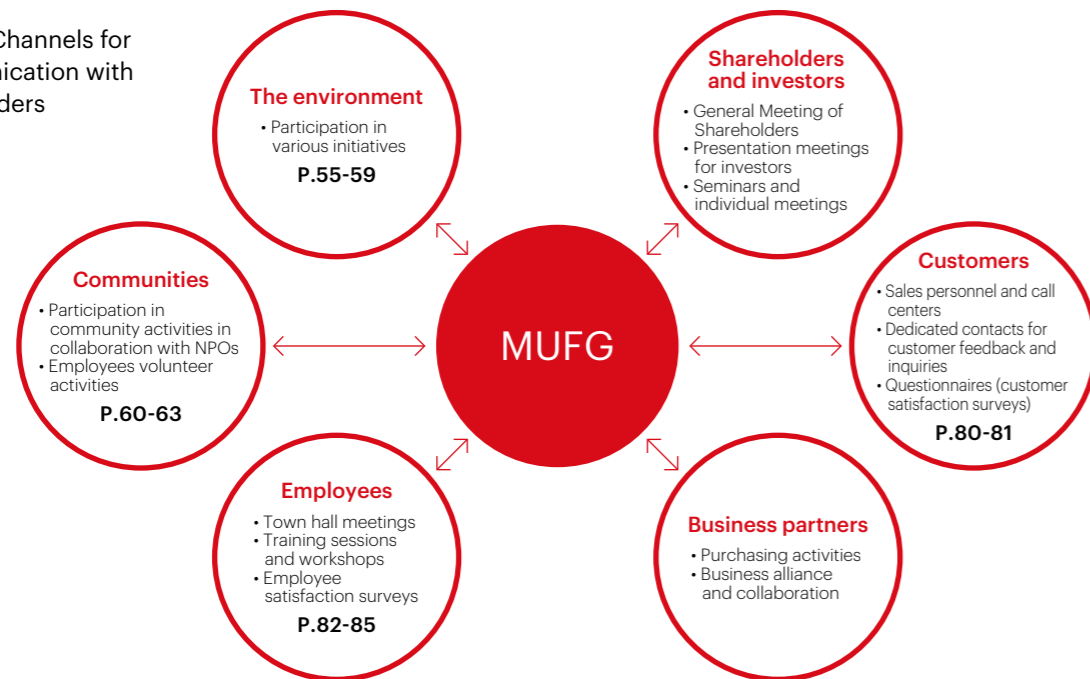


A joint training session for female managers

Enhancing Our Corporate Value through Committed Engagement with Stakeholders

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

MUFG's Channels for Communication with Stakeholders



Engagement with Communities, Local Societies and the Environment

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

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

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



MUFG Group employees engaging in cleanup activities in Seattle

Dialogue with Shareholders and Investors

General Meeting of Shareholders

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

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

Large meetings for individual investors

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

Large meetings for institutional investors

Held on 15 occasions in fiscal 2017

One on one meetings with institutional investors

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



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



Large meeting for individual investors (Tokyo)

Dialogue with Employees

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

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



MUFG Union Bank



Mitsubishi UFJ Trust and Banking Corporation



MUFG Bank

Risk Management

Basic Policy

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

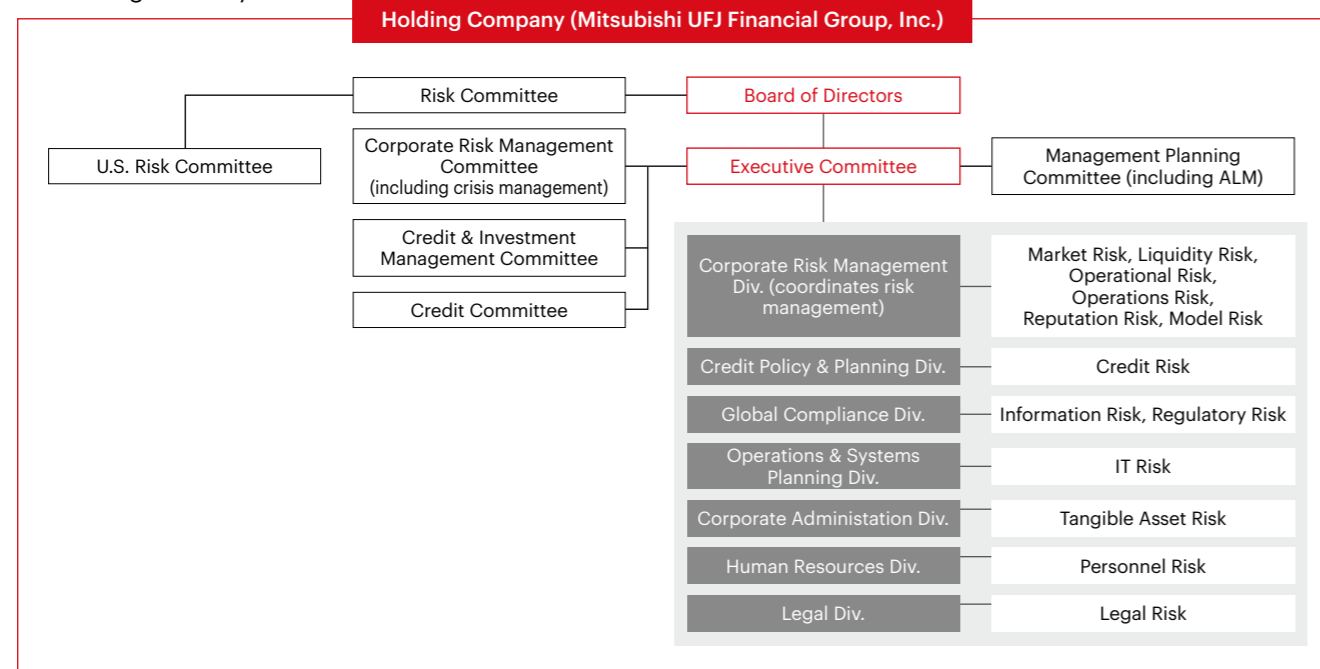
MUFG aims to strengthen its Group risk management through the diffusion of a risk culture that strengthens the structure of Group business management as well as integrated risk management. Our goal is effective risk governance that is consistent across regions, subsidiaries and the holding company.

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

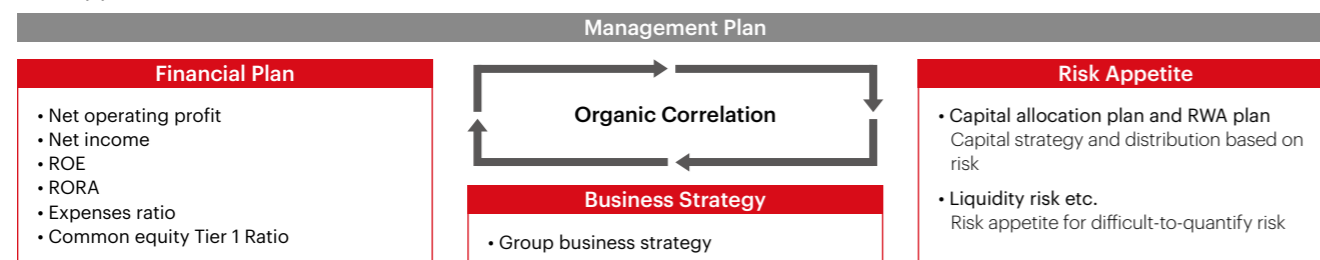
Risk Appetite Framework

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

Risk Management System



Risk Appetite Framework



Risk Appetite Framework Management Process

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

The process of setting and managing risk appetite is

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

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

Risk Appetite Setting and Management Process



Risk Committee

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

reports to the Board of Directors.

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

Enterprise Risk Management

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

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

Capital Allocation System

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

Stress Tests

• Stress tests for capital adequacy assessment

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

its own economic capital, based on internal risk assessment.

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

• Liquidity stress test

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

Top Risk Management

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

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

Major Top Risks

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

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

Enhancing the Effectiveness of Risk Management

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

Developing and Diffusing a Risk Culture

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

Risk Appetite Statement

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

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

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

MUFG's Risk Culture

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

Ensure Consistency with Principles of Ethics and Conduct



Cyber Security

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

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

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

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

Compliance

Basic Policy

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

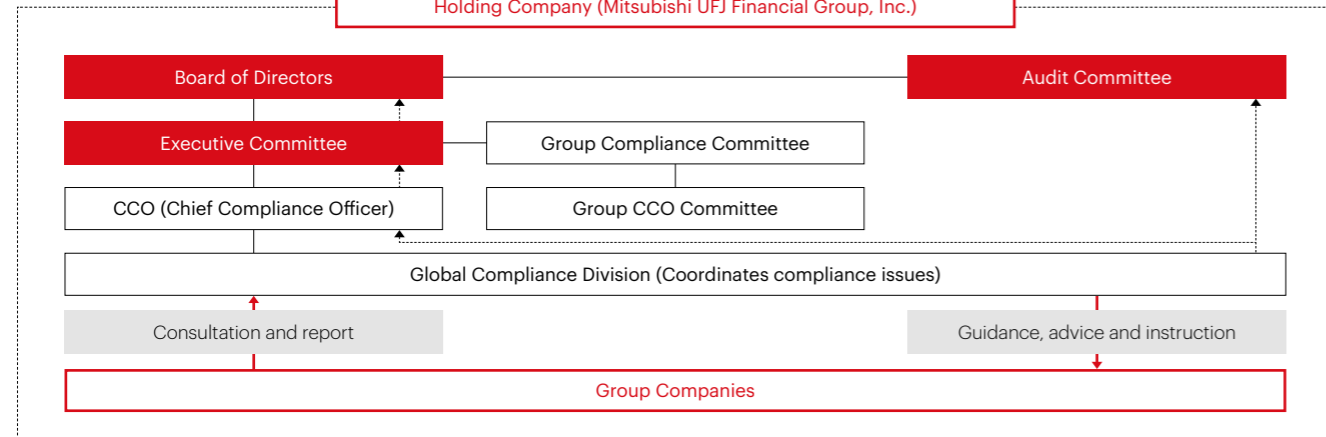
In addition, as we expand our business globally, we are committed to keeping abreast with developments in the laws and regulations of the jurisdictions in which we operate, including those targeting money laundering and bribery, as well as competition laws, while paying attention to trends in financial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

Compliance System

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

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

Compliance System



Initiatives to Protect Privacy Information

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

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

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

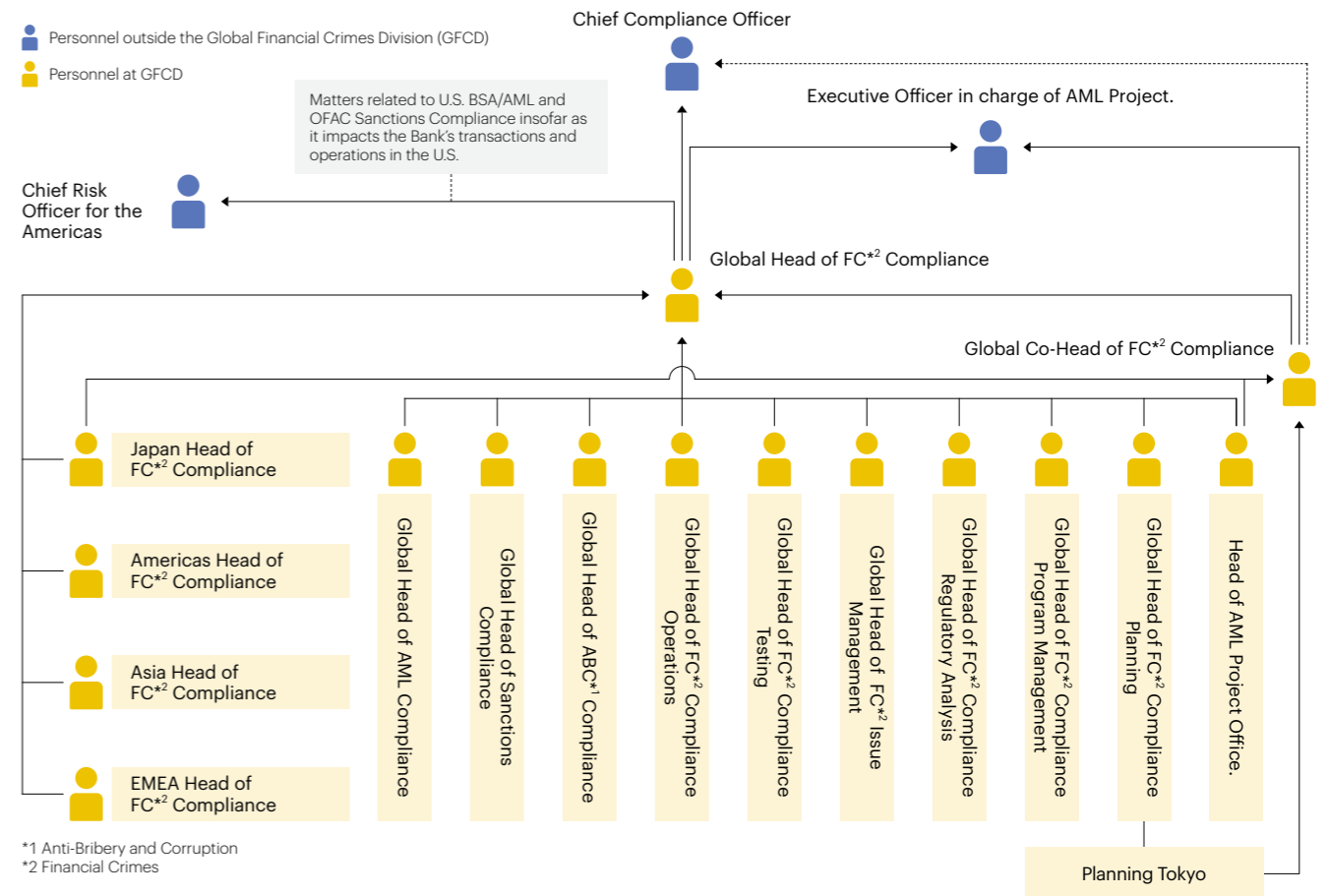
Initiatives to Enhance Global Financial Crimes Compliance Framework

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

EMEA and Asia, respectively.

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

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



*1 Anti-Bribery and Corruption
*2 Financial Crimes

Internal Audit

Role of Internal Audit

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

Group Internal Audit Framework

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

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

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

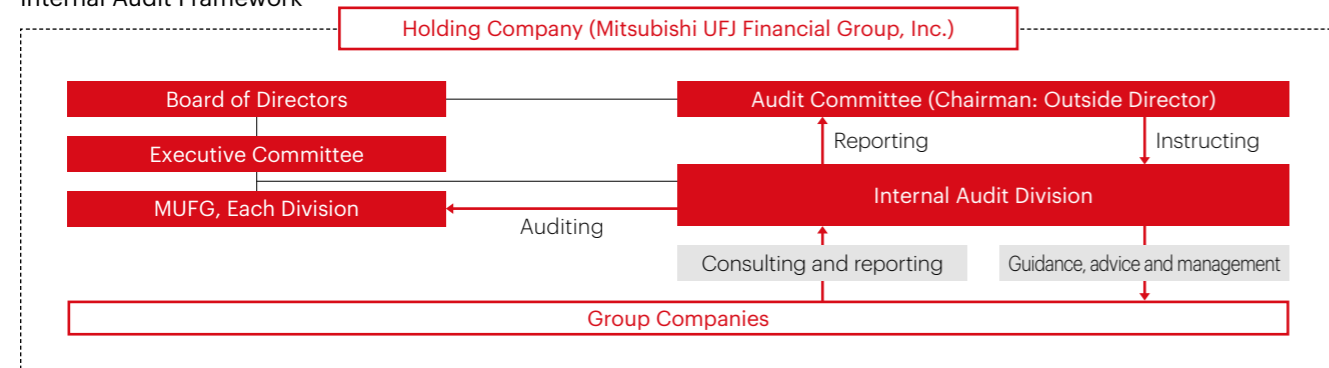
Implementing Effective and Efficient Internal Audit

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

Reports to the Audit Committee

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

Internal Audit Framework



Responding to Global Financial Regulation

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

MUFG's Response

The Status of Our Compliance with Prudential Regulations

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

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

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

Upcoming Regulations MUFG Must Comply with in the Future

Requirement to secure Total Loss Absorbing Capacity (TLAC)

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

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

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

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

1. Review of risk-weighted asset measurement methodologies

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

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

2. Review of regulatory framework for leverage ratio

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

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

Outlook

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

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

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