Our Strengths Supporting Value Creation

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Improving Employee Engagement

MUFG encourages every employee to embrace new mindsets and modes of behavior, supporting their efforts by, for example, annually reviewing its Code of Conduct, regularly distributing messages from top management and providing e-learning and other training programs. Moreover, in line with initiatives to improve employee engagement, we regularly offer opportunities for employees to interact with executives from each Group company.

The outcome of such initiatives is revealed by the annual Group Awareness and Engagement Survey and other feedback and reported to the Board of Directors. The fiscal 2019 survey targeted approximately 114,000 employees and collected feedback from 88% of them. If an issue that needs to be addressed is identified via the survey, etc., top management will respond, putting out a statement and updating the Code of Conduct if necessary.

Initiatives at the Bank

In fiscal 2019, the Bank hosted a round-table talk event that invited employees to interact with the President and encouraged them to discuss the challenges they are currently facing in their duties or private life. The Bank also held a Real Freshman’s Talk, a round-table talk event centered on interaction between new recruits and executives, including President. With the aim of facilitating corporate culture reforms, this event is specifically designed to encourage new recruits to share what they really think of MUFG with executives and for the latter to acquire potentially valuable insights only these young people can contribute. In fact, opinions voiced by attendees are currently utilized to update in-house operational processes.

Other round-table talk events held at the Bank and attended by executives and employees include discussions focused on forward-looking subjects, such as determining MUFG’s raison d’être amid the evolving business environment and reconfirming the true value of their duties. Attendees engaged in vigorous exchanges about what they personally can do to make the Bank even better. The Bank received a number of positive responses from attendees, with one employee saying “I want to proactively put into practice what I can do.”
**Human Resources Strategy**

**Encouraging the Pursuit of Personal Growth and Challenging Endeavors**

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 define “Integrity and Responsibility,” “Professionalism and Teamwork,” and “Challenge Ourselves to Grow” as values to be shared by all employees, and each Group company formulates and executes human resources management policies aimed at ensuring the realization of these values.

**Human Resources System Revisions**

The Bank, the Trust Bank and Mitsubishi UFJ Morgan Stanley Securities carried out revisions of human resources systems over the period from fiscal 2019 to the beginning of fiscal 2020. These revisions were aimed at ensuring the optimal evaluation of our human resources in line with their contributions to business model reforms and appointing them based on the performance.

For example, in April 2019 the Bank adopted a management policy allowing younger candidates in their 30s to become branch managers and line managers. In addition, a number of employees expressed their interest in acquiring an even broader range of skills and/or specialist expertise in response to the revision of the conventional career course system and the resulting expansion of career options offered to them. In sum, the positive effects of revised human resources systems are gradually emerging.

With regard to human resources evaluation and development, we aim to support each employee’s 1) pursuit of professionalism, 2) will to overcome the challenge of reform and 3) self-directed career building. In particular, we have newly incorporated the second of these aims into evaluation items. Furthermore, we have adopted an even more detailed set of indicators for assessing employees’ strength and weakness to help them develop their skills. We also support the realization of medium- to long-term career plans via bidirectional communications between employees and their supervisors.

Through these initiatives, we will help each employee’s self-development and create an environment where employees are satisfied with their daily work and able to continually challenge themselves in pursuit of reform. Similarly, initiatives undertaken at the Trust Bank include those aimed at helping employees realize their full potential in diverse fields as well as the incorporation of human resources management practices strongly focused on performance-based appointment. In these ways, the Trust Bank aims to become a company composed of a professional team capable of supporting the creation of a safe and prosperous society by delivering solutions to issues confronting its customers and society as a whole.

Mitsubishi UFJ Morgan Stanley Securities completed its transition to a human resources evaluation system that puts greater focus on evaluating employees based on their professional ability to deliver high-value-added services. To this end, Mitsubishi UFJ Morgan Stanley Securities has introduced a compensation system that emphasizes rewarding employees based on how well they fulfill their responsibilities. By doing so, Mitsubishi UFJ Morgan Stanley Securities aims to ensure that each of its employees finds their job rewarding and takes pride in it while encouraging them to overcome the challenge of reform to deliver new value.

**Initiatives to Encourage Employees to Pursue Personal Growth and Challenging Endeavors**

MUFG is strongly focused on encouraging each employee’s self-directed career building and, to this end, supports their growth and their ability to respond to challenges. Accordingly, we have in place a number of frameworks designed to help them acquire diverse experience, believing that the enhancement of the MUFG Group’s organizational strength and corporate value hinges on cultivating employees who boast a range of expertise, engage in open exchange with peers within and outside the Group and proactively share their insights with others.

Through these initiatives, we are striving to support each employee’s pursuit of personal growth while enhancing our organizational strength. We also expect these initiatives to contribute to ongoing corporate culture reforms and help develop a structure that empowers employees to deliver greater value to customers and society.

In addition, we conduct an annual Group Awareness and Engagement Survey to monitor the effect of these initiatives, utilizing survey results to plan and implement various human resources-related measures.

**Hiring and Nurturing Human Resources Supporting Value Creation**

MUFG is focused on hiring and nurturing human resources who always make their best efforts to go beyond customer expectations, thereby inspiring one another, and are clearly aware of their professional responsibilities. We are also striving to secure and nurture human resources capable of playing key professional roles in their areas of specialty as reforms currently under way at MUFG to update its business models and processes particularly require such individuals.

Moreover, each Group company is proactively striving to nurture human resources by providing learning opportunities consisting mainly of on-the-job training along with e-learning courses, on-demand video lectures, online training and other programs. In addition, human resources from external sources are actively hired to push ahead with expansion into new businesses in response to the evolving operating environment. Also, in step with progress in the adoption of a groupwide integrated management approach, securing human resources who have distinctive strengths in their areas of specialty has become a matter of growing importance. With this in mind, in April 2019 MUFG launched a employment framework aimed at securing candidates from a broader range of sources. This move is aimed at helping highly skilled individuals pursue greater career success while providing them with salaries in line with labor market benchmarks unconnected to our conventional pay systems.

**Securing Future Top Management Candidates**

MUFG considers nurturing future top management candidates to be an important management issue. In fiscal 2018, we established MUFG University for those in managerial positions or above to nurture such candidates. Thus far, a total of more than 400 people have completed programs provided at the university. MUFG University offers two different courses, namely, the “Next-Generation Leader Course” and the “Management Course” in line with the needs of attendees. The former instills practical viewpoints for corporate management while nurturing concept-building capabilities for developing novel financial businesses. The latter course provides a liberal arts education aimed at enriching comprehensive ability and widening perspectives while implementing global leadership training. Through the provision of theses classes, we strive to secure a robust pool of top management candidates.

In addition, MUFG has a special program targeting general and branch managers to enhance their coaching skills. 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.
Nurturing Digital Specialists

We have launched various programs aimed at facilitating digital transformation from the perspective of human resources. For example, in light of the growing importance of digital utilization in daily operations, we released an in-house e-learning program targeting all employees with the aim of helping them enhance digital literacy. We have also hosted a workshop event in which top management discussed such themes as the formulation of digital-driven management strategies and AI-based operational process reforms.

Furthermore, we upgraded the content of programs for newly appointed managers to meet the emerging needs for corporate culture reform initiatives and leadership that aligns MUFG’s digital strategies. We also initiated a selection program focused on candidates’ practical skills to nurture human resources who will play core roles in digital transformation. In this way, we are enhancing our pool of digital specialists from both the quantitative and qualitative aspects.

Nurturing Global Human Resources

Today, the MUFG Group has expanded into more than 50 countries around the globe, with approximately 51% of its entire workforce being accounted for by overseas employees (as of May 31, 2020). 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.

In recent years, the number of employees with diverse backgrounds has grown larger than ever due to the inclusion of ASEAN-based commercial banks and global asset manager First frontier Investors into the scope of consolidation. In response, we began implementing job-level based training programs on a global basis to ensure all Group members understand the Corporate Vision and embrace a shared culture. For example, we provide the Global LEAD Program targeting managing director or similar positions at the Bank, Mitsubishi UFJ Morgan Stanley Securities, Krungsri, MUFG Union Bank and other Group companies to help such employees acquire essential knowledge about and foundational skills associated with leadership as well as necessary perspectives and in-depth expertise on global operations. We also maintain the Three-month Incentive Program, which places frontline employees in different workplaces and provides them with on-the-job training in a way that transcends regional and sectional boundaries. These programs are helping employees acquire the proper mindset to gain success in and a more acute awareness of global business settings.

We believe that these programs attract potential candidates from external sources while also helping employees hired overseas remain highly motivated. Today, a growing number of individuals hired overseas have been promoted to managerial posts. For example, 15 of these individuals, including three women, have assumed executive officer positions at the Bank (as of March 31, 2020).

Proportion of Overseas Employees

<table>
<thead>
<tr>
<th>Year/Period</th>
<th>10%</th>
<th>20%</th>
<th>30%</th>
<th>40%</th>
<th>50%</th>
<th>60%</th>
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<tbody>
<tr>
<td>2013/2014</td>
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<td>2015/2016</td>
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<td>2016/2017</td>
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<td>2017/2018</td>
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<td>2018/2019</td>
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<tr>
<td>2019/2020</td>
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* A proportion of overseas employees to the total number of employees (as of March 31, 2020). ** Including part-time and temporary employees, presented in the financial reports based on the scope of consolidation.

Workstyle reforms

Promoting “Smart Work”

MUFG aims to help employees realize their full potential and, to this end, is creating a workplace environment that encourages them to autonomously choose their working style so that they find their job rewarding.

As we also aim to help employees allocate more time to engaging in direct communications with customers and taking on new challenges, we have driven to streamline labor practices by reviewing procedures and rules, going paperless and developing infrastructure for remote working. Currently, a rapidly growing number of employees choose to work from home or operate in staggered work shifts due to the spread of COVID-19 virus. Looking ahead, we will accelerate the development of our operating platforms for accommodating employee needs for ever more diverse working styles.

In addition, the Bank introduced the “Workatron” program aimed at helping employees exercise creativity and remain highly motivated.

The Bank also enhanced the content of paid leave programs for new recruits to employees while encouraging them to proactively take leave, with the aim of helping them maintain their physical and emotional health.

Promoting Diversity & Inclusion

MUFG has maintained a policy of eliminating any type of discrimination, including that based on race, national origin, belief, religion, disabilities, family origin, gender, sexual orientation, gender identity, age or health status. Based on this policy, we are promoting workplace diversity to create an organization and culture in which employees with diverse value, backgrounds and perceptions of work can respect and inspire each other while pursuing personal growth and career success.

Each Group company has in place dedicated organizations charged with promoting diversity & inclusion while providing employees with training programs to raise their diversity awareness. As we consider promoting gender diversity a priority issue, in Japan, we have jointly aimed to raise the ratio of female staff in managerial positions at the Bank, the Trust Bank and Mitsubishi UFJ Morgan Stanley Securities to 25% by the end of March 2021, and our progress has been periodically reported to top management.

The ratio as of the end of March 2020 amounted to 25%, surpassing the target. Looking ahead, we plan to update our target for the ratio of female managers to those in senior positions at these three Group companies and initiate the disclosure of our targets for the number of female executive officers and the status of other female staff filling key positions at each Group company. Moreover, we have striven to implement various training programs, including those aimed at nurturing future top management candidates as well as a mentoring program involving corporate executives, with the aim of promoting a great number of women as possible.

Also, MUFG has signed the HM Treasury Women in Finance Charter formulated by the United Kingdom’s Ministry of Treasury to improve gender diversity in the financial industry. With this signing, MUFG has publicized a target of achieving a 10% increase in the ratio of women in senior positions within its local workforce by 2022.

To create an inclusive workplace in which each employee can realize their potential and find their job rewarding, we also provide support to those struggling to strike a balance between work and child rearing, nursing care or infertility treatment. Moreover, we offer employment for people with disabilities while striving to promote the understanding of sexual minorities, including members of LGBTQ communities. In recent years, we also introduced training programs designed to call attention to and address issues arising from unconscious biases.
**Toward Sustainable Growth in Corporate Value**

MUFG will aim to realize effective corporate governance through fair and highly transparent management based on the guidance provided by MUFG Corporate Governance Policies.

**Steps to Improve Our Governance Structure**

Since its establishment, MUFG has aimed to build a stable and effective corporate governance structure, putting emphasis on ensuring external oversight. In June 2015, MUFG transitioned to the "company with three committees” governance structure. The functions of oversight and execution in the holding company are separated, thereby strengthening the oversight function of the Board of Directors and having established more effective and efficient governance. In June 2017, two foreign nationals were appointed as directors. In June 2018, the total number of directors was decreased, with outside directors accounting for the majority of the Board of Director membership. In line with the succession plan formulated by the Nominating and Governance Committee, in April 2020, MUFG appointed a Group CEO and, in June 2020, one outside director and two directors.

Due to these appointments, nine out of the current 16 members of the Board of Directors are independent outside directors and include four women as well as two foreign nationals (from the United States and Thailand). With their backgrounds ranging from corporate managers, financial experts and lawyers to CPAs, the composition of outside directors is well-balanced in terms of specialty, region and gender.

**Corporate Governance Development**

<table>
<thead>
<tr>
<th>Governance Structure</th>
<th>Company with a Board of Corporate Auditors</th>
<th>Company with three committees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Committees under the Board of Directors</td>
<td>2005: Nominating Committee, 2005: Compensation Committee, 2005: Internal Audit and Compliance Committee</td>
<td>2013: Risk Committee</td>
</tr>
<tr>
<td>Board of Directors Operations</td>
<td>2011: Evaluation of Board of Directors</td>
<td></td>
</tr>
<tr>
<td>Policy</td>
<td>2005: MUFG Corporate Governance Policies</td>
<td></td>
</tr>
<tr>
<td>Outside Directors</td>
<td>Six (Including the majority)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-executive directors</th>
<th>Independent outside directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>11/16</td>
<td>9/16</td>
</tr>
</tbody>
</table>

68.7% | 56.2% |

Female directors: 4/16
Foreign nationals: 2/16

**Securing independence and diversity**

**Management Structure**

- **Oversight**
  - Board of Directors
  - Statutory Committees: Nominating and Governance Committee, Compensation Committee, Audit Committee, Risk Committee, U.S. Risk Committee

- **Execution**
  - Executive Committee
  - Global Advisory Board
  - C-Suite
  - Officers in Charge
  - Planning and Administration Divisions
  - Business Groups

- **Mitsubishi UFJ Financial Group**
  - Mitsubishi UFJ Bank, Ltd.
  - Mitsubishi UFJ Trust and Banking Corporation
  - Mitsubishi UFJ Securities Holdings Co., Ltd.

*1 Established based on the U.S. Prudential Regulations
*2 Collective names for CFO, CRO and other chief positions

**As of June 29, 2020**
**Roles Outside Directors Are Expected to Fulfill**

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

- Participate in board deliberations
- Exercise the oversight of conflicts of interest 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
- 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
- Contribute to sustainable corporate development and medium-to-long-term growth in MUFG's corporate value
- Sufficiently discuss matters reported or proposed by top management executives by requesting supplementary explanation where necessary and by contributing their opinions

<table>
<thead>
<tr>
<th>Name</th>
<th>Current position of MUFG and committee-related duties</th>
<th>Specialty</th>
<th>Reasons for appointment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marko Fuji</td>
<td>Member of the Board of Directors, Chair of the Risk Committee, Member of the Nominating and Governance Committee</td>
<td>Finance</td>
<td>Having worked for the Ministry of Finance, Ms. Fuji 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 finances and economics while boasting extensive experience in these fields.</td>
</tr>
<tr>
<td>Kaiso Honda</td>
<td>Member of the Board of Directors, Member of the Nominating and Governance Committee, and the Compensation Committee</td>
<td>Finance</td>
<td>Having worked at McKinsey &amp; 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 finances and economics while boasting extensive experience in these fields.</td>
</tr>
<tr>
<td>Kaoru Kato</td>
<td>Member of the Board of Directors, Member of the Nominating and Governance Committee, and the Audit Committee</td>
<td>Corporate management</td>
<td>Mr. Kato has fulfilled a number of key management positions, including President &amp; CEO of NIKKO DCMO, Inc. and is equipped with extensive experience as a corporate manager and evaluative expertise.</td>
</tr>
<tr>
<td>Haruka Matsuyama</td>
<td>Member of the Board of Directors, Member of the Compensation Committee</td>
<td>Legal affairs</td>
<td>Ms. Matsuyama boasts extensive experience as a lawyer and is equipped with specialist expertise in a broad range of legal affairs.</td>
</tr>
<tr>
<td>Toby S. Myerson</td>
<td>Member of the Board of Directors, Member of the Risk Committee</td>
<td>Legal affairs</td>
<td>Mr. Myerson boasts extensive experience as a lawyer and is equipped with specialist expertise in corporate legal affairs and M&amp;A.</td>
</tr>
<tr>
<td>Hirofumi Nomoto</td>
<td>Member of the Board of Directors, Chair of the Nominating and Governance Committee</td>
<td>Corporate management</td>
<td>Having fulfilled a number of key management positions, including that of President &amp; Representative Director of Tokyo Corporation Inc., Mr. Nomoto is currently serving as Chairman &amp; Representative Director of this firm and boasts extensive experience and evaluative expertise as a corporate manager.</td>
</tr>
<tr>
<td>Yasushi Shingai</td>
<td>Member of the Board of Directors, Member of the Audit Committee, and the Risk Committee</td>
<td>Corporate management/Finance &amp; accounting</td>
<td>Mr. Shingai has fulfilled a number of key management positions, including Senior Vice President &amp; CTO of Japan Tobacco Inc., Executive Vice President and Deputy CEO of IT International U.S., and Representative Director and Executive Vice President of Japan Tobacco Inc., boasting extensive experience as a corporate manager as well as specialist expertise in corporate finance and accounting systems and M&amp;A.</td>
</tr>
<tr>
<td>Tarisana Watanagase</td>
<td>Member of the Board of Directors, Member of the Risk Committee</td>
<td>Finance</td>
<td>Having served as Governor of the Bank of Thailand, Mr. Watanagase boasts extensive experience as an economist and is equipped with specialist expertise in finance and economy.</td>
</tr>
<tr>
<td>Akira Yamate</td>
<td>Member of the Board of Directors, Chair of the Audit Committee</td>
<td>Finance &amp; accounting</td>
<td>Mr. Yamate boasts extensive experience as a CPA and is equipped with specialist expertise in accounting and auditing.</td>
</tr>
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**Fiscal 2019 Initiatives**

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.

Since the transition to the “company with three committees” governance structure in June 2015, the Board of Directors has conducted periodic reviews of its agenda items and operations as a whole. As a result, the average length of regularly scheduled Board of Directors meetings grew to seven hours 41 minutes in fiscal 2019. The Board of Directors has maintained a vigorous level of debate with the aim of strengthening its supervisory functions and thereby improving MUFG’s corporate value.

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 management by holding special meetings on multiple occasions. Our efforts to increase opportunities for outside directors to understand MUFG’s business operations resulted in the enhancement of the quality of discussions at Board of Directors meetings, leading to a number of improvements in actual corporate governance functions.

For example, at the four rounds of regularly scheduled Board of Directors meetings in fiscal 2019, there were periodic reports on the status of NICOS, a subsidiary whose assets were impaired in fiscal 2018 in connection with system integration. At each meeting, matters reported on were discussed intensively, with the fundamental revision of NICOS’s system integration plan coming under particular scrutiny by the outside directors, who approached the issue from multilateral perspectives. This eventually resulted in the formulation of a new system integration plan.
Our Strengths Supporting Value Creation

Corporate Governance

Outline of Committees

Nominating and Governance Committee
With an outside director as Chairperson, the Committee discusses matters related to the nomination of candidates for major management positions in the holding company or major subsidiaries, as well as corporate governance policies and frameworks in place at these entities, and makes recommendations to the Board of Directors.

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

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.

Risk Committee
With an outside director as Chairperson, the Committee mainly examines important risk factors that may impact on business operations, such as foreign currency liquidity risk, cyber attacks and other significant IT risks as well as risks arising from the COVID-19 pandemic, and submits its recommendations to the Board of Directors.

Evaluation Framework of the Working Practices of the Board of Directors’ Operation
Since 2013, MUFG has employed external consultants to evaluate the working practices of its Board of Directors. Each director is asked to fill in a questionnaire and is interviewed on such subjects as the composition of key committees, the quality of the preparatory materials assembled prior to each meeting, the content of discussions, the operations of the Board, the Board’s contributions, and the performance of executive members. The results of these questionnaires and interviews are reported to and discussed at the Nominating and Governance Committee and the Board of Directors.

In the course of the fiscal 2019 evaluation, interviews were undertaken in February and March 2020 and completed questionnaires collected. The evaluation confirmed improvement in the effectiveness of the Board of Directors’ operations, such as the selection of agenda items and the manner of handling discussion thanks to the incorporation of a comprehensive list laying out material challenges to be discussed by the Board and the formulation of an annual schedule based on the list.

On the other hand, it was reconfirmed that MUFG must step up its efforts to upgrade the corporate governance structure to enhance its resilience and secure sustainable growth in the face of the prolonged, ultra-low interest rate environment, the deceleration of economic growth and the advancement of digitalization as well as the radically evolving business environment due to major changes affecting the economy and society following the COVID-19 pandemic.

Fiscal 2019 Status of the Board of Directors and Committee Meetings

<table>
<thead>
<tr>
<th>Fiscal 2019 Status of the Board of Directors and Committee Meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of meetings</td>
</tr>
<tr>
<td>---------------------</td>
</tr>
<tr>
<td>10</td>
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</table>

<table>
<thead>
<tr>
<th>Attendance ratio</th>
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<tbody>
<tr>
<td>All members</td>
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<tr>
<td>Outside directors</td>
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</tbody>
</table>

Committee Membership

<table>
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<tr>
<th>Committee Membership</th>
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<tbody>
<tr>
<td>Marko Fujii</td>
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<tr>
<td>Kaoru Kato</td>
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<tr>
<td>Haruka Matayama</td>
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<tr>
<td>Toby S. Myerson</td>
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<tr>
<td>Hirofumi Nomoto</td>
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<tr>
<td>Yasushi Shingue</td>
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<tr>
<td>Terisa Wasanagase</td>
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<tr>
<td>Akira Yamate</td>
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<tr>
<td>Junichi Okamoto</td>
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<tr>
<td>Ritsuo Ogura</td>
</tr>
<tr>
<td>Hiroshi Kamizawa</td>
</tr>
<tr>
<td>Naoto Hayashi</td>
</tr>
<tr>
<td>Shiroshi Kondo</td>
</tr>
<tr>
<td>Atsushi Miyahara</td>
</tr>
<tr>
<td>Kazuhiko Ohishi</td>
</tr>
<tr>
<td>Director, President &amp; Group CEO</td>
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<tr>
<td>Managing corporate executive, Group CEO</td>
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<tr>
<td>Outside expert</td>
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<tr>
<td>Outside expert</td>
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<td>Outside expert</td>
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<td>Outside expert</td>
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("") represents Chair of each committee

As of June 19, 2020

Fiscal 2019 Evaluation of the Working Practices of the Board of Directors

<table>
<thead>
<tr>
<th>Fiscal 2019 Evaluation of the Working Practices of the Board of Directors</th>
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<tbody>
<tr>
<td>Evaluation</td>
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<tr>
<td>Evaluation</td>
</tr>
<tr>
<td>Steady progress in the upgrading of corporate governance structure</td>
</tr>
<tr>
<td>Issues to be addressed</td>
</tr>
<tr>
<td>Need to clearly rank agenda items by priority</td>
</tr>
<tr>
<td>Incorporated a comprehensive list laying out challenges and formulated an annual schedule</td>
</tr>
<tr>
<td>Strengthened open issue management at the Independent Outside Directors Meeting</td>
</tr>
<tr>
<td>Need to more robustly monitor the status of groupwide, cross-regional business strategies with an eye on the risks inherent in such strategies</td>
</tr>
<tr>
<td>Progress in efforts to ensure information sharing between the Audit Committee and the similar committees at subsidiaries</td>
</tr>
<tr>
<td>Confirmed that outside directors, including newly appointed individuals, have been contributing to brisk discussion</td>
</tr>
<tr>
<td>Confirmed improvement in the effectiveness of the Board of Directors’ operations</td>
</tr>
<tr>
<td>The further enhancement of the quality of discussion with regard to medium- to long-term strategies and business portfolio can be expected</td>
</tr>
<tr>
<td>Need to facilitate ongoing initiatives to reform MUFG’s corporate culture reforms and confirmed that maintaining ongoing efforts in essential areas</td>
</tr>
<tr>
<td>Refined the recognition of the importance of corporate culture reforms and confirmed that maintaining ongoing efforts in essential areas</td>
</tr>
<tr>
<td>Need to maintain in-depth and meaningful discussion by the Board of Directors contributing to the enhancement of corporate value</td>
</tr>
<tr>
<td>Need to more robustly monitor the status of groupwide, cross-regional business strategies with an eye on the risks inherent in such strategies</td>
</tr>
<tr>
<td>Need to enhance the efficiency of the Board of Directors’ operations</td>
</tr>
<tr>
<td>Need to facilitate ongoing initiatives to reform MUFG’s corporate culture</td>
</tr>
<tr>
<td>Need to clearly rank agenda items by priority</td>
</tr>
<tr>
<td>Incorporated a comprehensive list laying out challenges and formulated an annual schedule</td>
</tr>
<tr>
<td>Strengthened open issue management at the Independent Outside Directors Meeting</td>
</tr>
<tr>
<td>Stepped up collaboration between the Audit Committee and the holding company and the similar committees at subsidiaries</td>
</tr>
<tr>
<td>Held a meeting attended by outside directors from Group companies to facilitate the exchange of opinions</td>
</tr>
<tr>
<td>Newly included two corporate management experts and one specialist in finance and economy into the rank of the holding company’s outside directors</td>
</tr>
<tr>
<td>Appointed one IT specialist as an outside expert of the Risk Committee</td>
</tr>
<tr>
<td>Refined the recognition of the importance of corporate culture reforms and confirmed that maintaining ongoing efforts in essential areas</td>
</tr>
</tbody>
</table>

Issues to be addressed
Compensation System

MUFG has adopted a performance-based stock compensation plan to provide greater incentives for management members and executives to maintain an awareness of the Group’s overall corporate performance, stock price and capital efficiency over the medium-to-long term when pursuing their duties. Compensation consists of basic compensation, stock compensation and bonuses, with the latter two components being determined based on evaluation indices that include ROE and the expense ratio.

The content and level of compensation may be adjusted by the Compensation Committee—which is chaired by an outside director—in light of prevailing economic, social and industrial trends, the business environment surrounding the MUFG Group, its consolidated business performance and the status of employment markets in the place where hiring is taking place. In the course of determining compensation, MUFG also refers to data gleaned via objective research undertaken by external specialists with the intention of setting it at a level appropriate to maintaining competitiveness.

Composition of compensation (example: compensation paid to Group CEO)

<table>
<thead>
<tr>
<th>Basic compensation (fixed)</th>
<th>(Medium-to-long-term performance-based)</th>
<th>(Non-performance-based)</th>
<th>Officers’ bonuses (short-term performance-based)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time span for evaluation</td>
<td>Performance indices</td>
<td>Weight</td>
<td>Targets</td>
</tr>
<tr>
<td>---------------------------</td>
<td>------------------</td>
<td>--------</td>
<td>---------</td>
</tr>
<tr>
<td>Single fiscal year</td>
<td>Consolidated net operating profits</td>
<td>25%</td>
<td>Determined based on comparisons with competitors</td>
</tr>
<tr>
<td></td>
<td>Profits attributable to owners of parent</td>
<td>25%</td>
<td>—</td>
</tr>
<tr>
<td>Medium-to-long term</td>
<td>Consolidated ROE (based on MUFG’s standard)</td>
<td>25%</td>
<td>Fiscal 2020: 7.8%–8%</td>
</tr>
<tr>
<td></td>
<td>Consolidated expense ratio</td>
<td>25%</td>
<td>Fiscal 2020: A level below the fiscal 2017 result (8.1%)</td>
</tr>
</tbody>
</table>

Evaluation indices used to determine bonuses and actual results (example: compensation paid to Group CEO)

<table>
<thead>
<tr>
<th>Performance-based indices</th>
<th>Weight</th>
<th>Fiscal 2018 bonuses</th>
<th>Fiscal 2019 bonuses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Achievement</td>
<td>Payment ratio</td>
</tr>
<tr>
<td>Total evaluation</td>
<td>100%</td>
<td>89.1%</td>
<td>87.3%</td>
</tr>
<tr>
<td>Quantitative evaluation (the combination of four indices, including ROE)</td>
<td>60%</td>
<td>98.5%</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>40%</td>
<td>76.0%</td>
<td>—</td>
</tr>
</tbody>
</table>

*1 Quantitative evaluation of achievement in connection with each index is undertaken by placing equal weight on year-on-year changes and the ratio of actual results to annual targets.

*2 Qualitative evaluation uses a six-grade rating system, while total evaluation, which combines quantitative and qualitative evaluation, uses a seven-grade rating system.

*3 All evaluation results are determined solely by independent outside directors via discussion at the Compensation Committee.

Global Advisory Board

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

Global Advisory Board Annual Meeting

In November 2019, MUFG held its seventh annual Global Advisory Board meeting in Tokyo. In addition to Global Advisory Board members, attendees included MUFG officers, directors, outside directors and executives from overseas partner banks, namely, MUFG Union Bank (the United States), Krungsri (Thailand), Security Bank (the Philippines), Vietinbank (Vietnam) and Bank Danamon (Indonesia).

At the meeting, each member shared their insights into matters that may affect MUFG’s strategies, such as the ongoing struggle between the United States and China for global hegemony, ESG issues, and opportunities and challenges arising from the emergence of tech giants handling digital platforms, prompting bisk discussion.

Holding the First Round of the Group Outside Director Meeting

In fiscal 2019, MUFG convened the first round of a meeting attended by outside directors from Group companies, believing that, as a global corporate group handling comprehensive financial services, it must enhance the governance system on a groupwide, cross-regional basis. All outside directors from the holding company, the Bank, the Trust Bank and the Securities met at one place along with those entities’ chairs and CEOs to engage in an exchange of opinion on how to strengthen Group governance and update each other on the challenges each entity is confronting. The meeting helped them achieve consensus regarding matters associated with collaboration between individuals bearing supervisory functions and issues of the holding company and subsidiaries presently face, thereby further strengthening the governance framework.
Board of Directors

Member of the Board of Directors (Outside Director)

Osaka Kato
Ordinary Shares: 88%* Corporate Advisor, NTT DOCOMO, Inc.

1971 Joined Nippon Telegraph and Telephone Corporation (NTT) as a member of its Engineering Trainee Program
1979 General Manager of Plant Management Department of NTT
1988 Member of the Board of Directors of NTT DOCOMO, Inc.
1990 Joined the Operations Division of Sumitomo Mitsui Trust Bank, Ltd.
1994 Executive Director, General Manager of Corporate Planning
1999 Deputy Chairman (Representative Corporate Executive)
2000 Director
2003 Chairman (Corporate Executive)
2011 Member of the Board of Directors (Outside Director), MUFG (current)
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 Member of the Board of Directors (Outside Director), MUFG (current)

Member of the Board of Directors (Outside Director)

Hirofumi Nomoto
Ordinary Shares: 20%* CEO & Representative Director, Tokyo Turf Corporation

1971 Joined Tokyo Turf Corporation
2003 Executive Director of the Tokyo Turf Corporation
2004 President & Representative Director of its communications company
2007 Director of Tokyo Turf Corporation
2009 Managing Director of the Tokyo Turf Corporation
2010 Managing Director of the Tokyo Turf Corporation
2016 Executive Officer & Senior Executive General Manager of Urban Life Producing Business Unit of Tokyo Turf Corporation
2019 Member of the Board of Directors (Outside Director), MUFG (current)

Member of the Board of Directors (Outside Director)

Yasuyuki Shingai
Ordinary Shares: 10% Former Executive Officer 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.
2014 Member of the Board of Directors (Outside Director), MUFG (current)
2015 Deputy President & Representative Director, Executive Vice President of Japan Tobacco Inc.
2017 External Director of the Bank of Thailand
2018 Member of the Board of Directors (Outside Director), MUFG (current)
2019 Director of the Board of Directors of Multilateral Development Bank (current)

Member of the Board of Directors (Outside Director)

Toshiyuki Yamato
Ordinary Shares: 5% Chairman & CEO of Japan Tobacco, Inc.

1984 Joined Japan Tobacco and Salt Public Corporation (current Japan Tobacco Inc.)
1989 Registered as an attorney at law, Member of the Daini Tokyo Bar Association
1990 Partner of Paul, Weiss, Rifkind, Wharton & Garrison LLP
2004 Former President of Paul, Weiss, Rifkind, Wharton & Garrison LLP
2004 Chairman & CEO of Japan Tobacco, Inc.
2010 Retired from the Bank of Thailand
2013 Member of the Board of Directors of Multilateral Development Bank (current)
2017 Member of the Board of Directors (Outside Director), MUFG (current)
2019 Director of the Board of Directors of Multilateral Development Bank (current)

Member of the Board of Directors (Outside Director)

Junichi Okamoto
Ordinary Shares: 20%* Deputy Chairman (Representative Corporate Executive)

1981 Member of the Board of Directors of NTT DOCOMO, Inc.
1986 Member of the Board of Directors (Outside Director)
1992 Member of the Board of Directors of Sumitomo Mitsui Card Co., Ltd.
2006 Executive Board Director of Recruit Holdings Co., Ltd.
2010 President & CEO, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
2012 Executive Director of the Bank of Thailand
2013 Member of the Board of Directors of Multilateral Development Bank (current)
2017 Member of the Board of Directors (Outside Director), MUFG (current)
2018 Director of the Board of Directors of Multilateral Development Bank (current)

Member of the Board of Directors (Outside Director)

Hironori Kamezawa
Ordinary Shares: 8%* Chairman of the Board, Mitsubishi UFJ Trust & Banking Corp.

1984 Joined Ministry of Finance of Japan
1996 Director, International Affairs and Research Division, Customs and Tariff Bureau, Ministry of Finance
1999 Associate Professor, Research Center for Advanced Science and Technology, National Institute of Advanced Industrial Science and Technology
2001 Professor, Research Center for Advanced Economic Engineering, the University of Tokyo
2004 Professor, Research Center for Advanced Science and Technology, National Institute of Advanced Industrial Science and Technology
2010 Former Senior Executive General Manager of the Tokyo Turf Corporation
2014 Member of the Board of Directors (Outside Director), MUFG (current)
2015 Outside Director of the Board of Directors of NTT Technology Corporation (current)
2017 Member of the Board of Directors of Multilateral Development Bank (current)
2019 Director of the Board of Directors of Multilateral Development Bank (current)

Member of the Board of Directors (Outside Director)

Takashi Iwata
Ordinary Shares: 10%* President & CEO, Mitsubishi UFJ Securities Holdings Co., Ltd.

2000 Registered as an attorney at law, Member of the Daini Tokyo Bar Association
2000 Partner of Paul, Weiss, Rifkind, Wharton & Garrison LLP
2004 Former President of Paul, Weiss, Rifkind, Wharton & Garrison LLP
2010 President & CEO, Mitsubishi UFJ Securities Holdings Co., Ltd.
2013 Member of the Board of Directors of Multilateral Development Bank (current)
2017 Member of the Board of Directors (Outside Director), MUFG (current)
2019 Director of the Board of Directors of Multilateral Development Bank (current)

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2010 President & CEO, Mitsubishi UFJ Securities Holdings Co., Ltd.
2013 Member of the Board of Directors of Multilateral Development Bank (current)
2017 Member of the Board of Directors (Outside Director), MUFG (current)
2019 Director of the Board of Directors of Multilateral Development Bank (current)

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2017 Member of the Board of Directors of Multilateral Development Bank (current)
2019 Director of the Board of Directors of Multilateral Development Bank (current)
Communicating with Stakeholders

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

Dialogue with Customers

MUFG aims to improve its products and services by collecting, analyzing and internally sharing opinions contributed by and requests voiced by customers. In fiscal 2019, such customer feedback collected by the five main Group companies* amounted to approximately 190,000 inputs. Responding to this feedback, we have made a total of 445 improvements in our services. These improvements included the launch of an app-based procedure for the suspension and reissuance of cash cards and bank books, a procedure that had previously required customers to visit branches or consult with bank personnel by telephone. In addition, we also draw on the results of periodic customer satisfaction surveys to improve our services, closely analyzing items in which respondents gave us low ratings.

Dialogue with Shareholders and Investors

Having placed great emphasis on maintaining dialogue with shareholders and investors, MUFG is striving to ensure that its management strategies and financial data are clearly understood by these stakeholders via timely and appropriate information disclosure. In June 2020, the Annual General Meeting of Shareholders was held with due consideration given to the safety of attendees, with a significant number of seats removed from the venue to prevent the spread of the COVID-19 virus. Events held in fiscal 2019 to facilitate dialogue with shareholders and investors are as listed below.

* Please refer to page 67 for details on these initiatives.

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. Moreover, the revision of human resources management systems is under way, with a particular focus placed on rewarding employees who take a proactive stance toward taking on the challenge of driving innovation. In addition, the Bank invites employees to join in dialogue with officers to discuss forward-looking themes, as part of initiatives aimed at facilitating employee action toward corporate culture reforms.*

We also use the periodic Group Awareness and Engagement Survey to draw on employee feedback to improve business management.

Dialogue with Shareholders and Investors

In June 2020, the Annual General Meeting of Shareholders was held with due consideration given to the safety of attendees, with a significant number of seats removed from the venue to prevent the spread of the COVID-19 virus. Events held in fiscal 2019 to facilitate dialogue with shareholders and investors are as listed below.

* Seminars for shareholders: Seven occasions; approximately 1,400 attendees
* Seminars and presentation meetings (including online presentation meetings) for individual investors: Seven occasions; approximately 1,200 participants
* Seminars and presentation meetings for institutional investors: 11 occasions
* Individual meetings with institutional investors: 424 occasions (including 290 occasions of individual meetings with overseas investors)

In addition to the above, we periodically send out questionnaires to shareholders and draw on feedback contributed by respondents to improve the content of shareholder booklets and organize shareholder events.

In line with the MUFG Group Code of Conduct, which addresses the importance of “Customer Focus” in Chapter 1, we are striving to ensure that a customer-centric approach is thoroughly embraced by all employees.

To this end, MUFG announced the MUFG Basic Policy for Fiduciary Duties to provide unified guiding principles for the Group. In line with this policy, all Group entities share a commitment to practicing a customer-centric approach and endeavor to improve their products and services. Moreover, eight domestic Group companies disclose the status of their initiatives related to fiduciary duties and KPIs 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-centric business operations.

A June 2020 town hall meeting attended by Iwao Nagashima, president of the Trust Bank, with all attendees taking thorough precautions to prevent the spread of COVID-19.

* The Bank, the Trust Bank, MUFG, INEOS and ACOM

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. Moreover, the revision of human resources management systems is under way, with a particular focus placed on rewarding employees who take a proactive stance toward taking on the challenge of driving innovation. In addition, the Bank invites employees to join in dialogue with officers to discuss forward-looking themes, as part of initiatives aimed at facilitating employee action toward corporate culture reforms.*

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A June 2020 town hall meeting attended by Iwao Nagashima, president of the Trust Bank, with all attendees taking thorough precautions to prevent the spread of COVID-19.

* The Bank, the Trust Bank, MUFG, INEOS and ACOM
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. 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 Appetite Framework Management Process and the Formulation of a Risk Appetite Statement
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.

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.

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.

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.

Risk Management System

Risk Management Framework

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.

Major Top Risks

<table>
<thead>
<tr>
<th>Risk events</th>
<th>Risk scenarios</th>
</tr>
</thead>
<tbody>
<tr>
<td>A decline in profitability (including a decrease in 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.</td>
<td>• Our overall profitability may be adversely affected by, among other things, a decline in 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.</td>
</tr>
<tr>
<td>Foreign currency liquidity risk</td>
<td>• Deterioration in market conditions may result in a depletion of foreign currency funding liquidity and an increase in our foreign currency funding costs.</td>
</tr>
<tr>
<td>An increase in credit costs</td>
<td>• Sudden deterioration in global economic activities may result in an increase in our credit costs.</td>
</tr>
<tr>
<td>IT risk</td>
<td>• 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.</td>
</tr>
<tr>
<td>Cyber-attacks may result in customer information leakage, financial services outage and reputational damage.</td>
<td>• Cyber-attacks may result in customer information leakage, financial services outage and reputational damage.</td>
</tr>
<tr>
<td>System failures may result in our payment of financial compensation and damage to our reputation.</td>
<td>• System failures may result in our payment of financial compensation and damage to our reputation.</td>
</tr>
<tr>
<td>Risks relating to money-laundering, economic sanctions, bribery and corruption.</td>
<td>• If we are deemed not complaint 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.</td>
</tr>
<tr>
<td>Market conduct risk</td>
<td>• If if we are deemed not complaint 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.</td>
</tr>
<tr>
<td>Risks relating to external circumstances of events such as health pandemics, earthquakes, floods, terrorism, etc.</td>
<td>• 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.</td>
</tr>
<tr>
<td>Climate change-related risks</td>
<td>• If our efforts to address climate change-related risks or to make appropriate disclosure are deemed insufficient, our corporate value may be impaired.</td>
</tr>
<tr>
<td>Our credit portfolio may be adversely affected by the negative impact of climate change on our borrowers and transaction counterparties.</td>
<td>• Our credit portfolio may be adversely affected by the negative impact of climate change on our borrowers and transaction counterparties.</td>
</tr>
</tbody>
</table>

* 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 2020. 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 plans. 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 and capital are 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 ensure financial soundness, evaluate capital adequacy versus risk and judge impact on overall capital strategy.

## Cyber Security

MUFG is well aware of its social responsibilities for securing the assets entrusted by its 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 Governance Structure

MUFG has established cyber security standards that reference international guidelines, including the NIST Cybersecurity Framework.* 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.

### Organizational Structure

In April 2019, we launched the MUFG Cyber Security Fusion Center (CSFC) as part of the Cyber Security Office. The new center is tasked with intelligence analyses and other cyber security-related operations. In addition, we have developed a framework for reporting to the Board of Directors and the Executive Committee that facilitates top management decision making, ensuring that the Group is responsive to changes in cyber security threats as well as in the status of MUFG’s cyber security management.

*Publicized by the U.S. National Institute of Standards and Technology (NIST), this framework provides general guidance for the systematic improvement of cyber security risk management practices.

## Incident Response Structure

MUFG has been upgrading the ability of its incident response teams to ensure that cyber security incidents are dealt with swiftly. With MUFG-CERT, in charge of overseeing the implementation of cyber security measures at each Group company, efforts are currently under way to secure close collaboration with government agencies and robust partnerships with other financial institutions for the periodic execution of cyber security training and drills aimed at securing preparedness to incidents.

* Computer Emergency Response Team.

## Our Response to Digital Transformation

MUFG is proactively pushing ahead with digital transformation initiatives, including the utilization of cloud services, big data, AI, robotics, open APIs and other new technologies to update mode of its operations.

From the viewpoint of ensuring cyber security, we carefully examine the characteristics of new technologies and appoint security specialists to participate in relevant projects from upstream processes, such as planning and design. Moreover, we also incorporate multilayered cyber security measures to help ensure safe and secure transitions to new modes of operations supported by cutting-edge technologies.

## Providing Cyber Security Education to Foster a Proper Culture

We believe that, in addition to nurturing cyber security specialists, all the constituents of our organization, ranging from top management members to front-line employees, must be equipped with accurate knowledge with regard to the varied risks they face in light of their job ranks and duties and how to properly respond to such risks in the wake of increasingly sophisticated and complex cyber security threats.

With this in mind, all employees participate in educational programs focused on the importance of cyber security as well as drills that teach the handling of suspicious e-mails. Meanwhile, top management members attend training sessions designed to enhance their understanding of cyber security issues. When the COVID-19 pandemic prompted an increase in the number of employees choosing to work remotely, we acted quickly to call their attention to cyber security by, for example, distributing in-house newsletters. Furthermore, we utilize various channels to help our customers raise their cyber security awareness.

## Cyber Security Management Structure
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 MUFG Group Code of Conduct to guide how the Group's directors and employees should behave to realize the Corporate Vision. 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 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 Framework
Compliance management divisions have been 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 the Group Compliance Committee while the three subsidiaries have Compliance Committees operating under their executive committees with the aim of deliberating important compliance matters. Additionally, the holding company has the Group Chief Compliance Officer (“CCO”) Committee composed of the CCOs of the holding company and the CCOs of the three subsidiaries. This 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 2020 includes enhanced descriptions about conduct risk and the importance of being aware of risk ownership at the sales frontline as well as an additional message encouraging whistle blowing. (For details of our whistle-blowing systems, please also see a column featured on page 88) Thanks to these efforts, the latest results of the Group Awareness and Engagement Survey included significantly improved ratings on compliance-related questionnaire items, such as those asking whether the respondents experienced a “double-bind” situation between the call for adherence to the Code of Conduct and the need to efficiently process tasks in the course of daily operations. 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”), 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 all of MUFG globally.

MUFG Bank, one of the group companies in MUFG, is establishing shared organizations (Centers of Excellence) in the Americas, EMEA, Asia and Japan. Through those Centers of Excellence, MUFG 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, MUFG Bank will be better positioned to achieve globally consistent and effective operations.

In addition, MUFG Bank is enhancing its financial crimes compliance systems and establishing a data warehouse. These enhancements will support a globalized financial crimes compliance program and will help MUFG Bank detect more complex and sophisticated types of financial crimes in a sustainable and flexible manner.

Furthermore, MUFG 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 requirements and expectations of international organizations, including regulators in each country, FATF* etc. to support and strengthen the trust and confidence of society.

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External Certification of the Whistle-Blowing Systems
Having positioned its whistle-blowing systems as an important corporate tool, MUFG has helped each Group company develop such a system to ensure their ability to promptly address and resolve any issues associated with compliance. Moreover, the MUFG Compliance Helpline operates year-round and is capable of handling a report from any Group member regardless of their location. The helpline has been upgraded such as the handling of reports, not only from Group employees but also from third parties.

In the course of registration, we upgraded such aspects of these systems as whistleblower protection measures. We also let all employees know about the content of upgrades to assure them of the reliability of the system. Looking ahead, we will promote the utilization of our whistle-blowing systems to secure sustainable growth for the Group.

MUFG has already achieved self-certification for compliance with the Consumer Affairs Agency’s Whistleblowing Compliance Management System (WCMS) certification standards* based on self-declaration.

In the course of registration, we upgraded such aspects of these systems as whistleblower protection measures. We also let all employees know about the content of upgrades to assure them of the reliability of the system. Looking ahead, we will promote the utilization of our whistle-blowing systems to secure sustainable growth for the Group.

In addition, whistle-blowing systems in place at the holding company, the Bank, the Trust Bank, Mitsubishi UFJ Securities Holdings, Mitsubishi UFJ NICOS and ACOM were registered and shortly after fiscal 2019 as conforming to Japan’s Consumer Affairs Agency’s Whistleblowing Compliance Management System (WCMS) certification standards* based on self-declaration.

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* A system that registers business operators if their whistle-blowing systems are deemed to conform to prescribed certification standards we will evaluation as well as third-party confirmation by a registration body designated by the Consumer Affairs Agency.

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* FATF: Financial Action Task Force on money laundering. Inter-governmental body that advocates for a coordinated international response in AML and counter terrorist financing.
In step with global business strategies, the scope of MUFG Group’s audit activities is growing to encompass cross-regional collaboration at home and abroad. We also focus on nurturing human resources by implementing training programs designed for newly appointed internal auditors and providing seminars aimed at helping secure preparedness to take the examinations necessary to acquire external certification. Furthermore, internal auditors are currently collaborating with relevant departments, such as those in charge of compliance, to nurture governance specialists. In addition, efforts are under way to facilitate the sharing of case studies and other expertise with financial authorities and financial industry peers while participating in external study sessions and exchange gatherings to communicate our know-how.

Enhancing the Effectiveness of Internal Audits

A meeting attended by internal auditors from partner banks in Asia (August 2019)