

# Foundations of Corporate Value



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Initiatives to Build Sustainable Relationships with Customers

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

**As we aim to live up to the trust and confidence customers have in our operations, we are striving to deliver products and services that accurately meet their needs and, to this end, continuously improving our operations and employee skills based on customer feedback.**

### Concepts behind MUFG's Customer Relations

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

In line with the Corporate Vision, the Company has established the Principles of Ethics and Conduct, a set of standards each Group 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.

### Employee Education Aimed at Responding to Customer Trust and Confidence

#### Nurturing Employees' Mindsets to Better Respond to Customer Expectations and Encourage Their Personal Growth MUFG Values Talks

MUFG holds workshops for younger employees from all Group companies in which they explore such awareness-raising themes as "What we should do to get customers to choose us" and "Ideals for MUFG and myself." Such workshops are aimed at fostering their understanding of and identification with the Corporate Vision and the Principles of Ethics and Conduct while encouraging them to take action based on takeaways from discussions.

During fiscal 2016, MUFG held such events on 33 occasions. Approximately 6,000 Group employees have been attending since the beginning of that.



MUFG Values Talk

### Reflecting Customer Feedback in Product and Service Quality Improvements

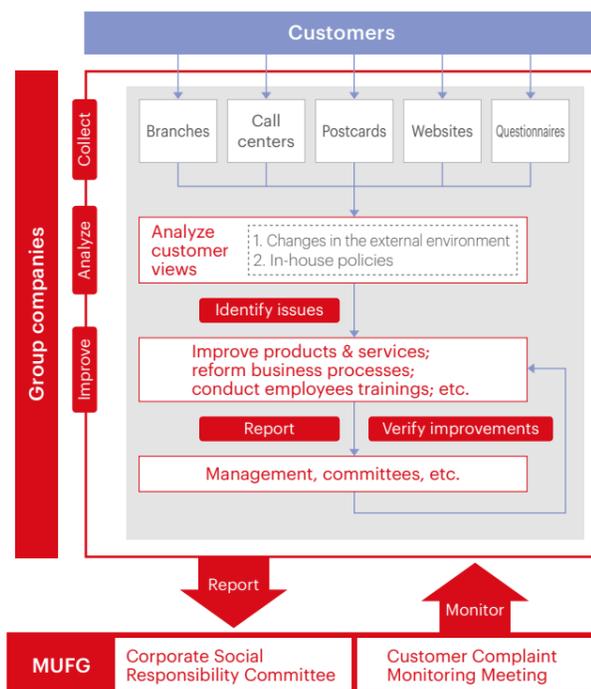
#### Enhancing Feedback Monitoring System

For MUFG, comments and requests from customers constitute valuable assets. Each Group company is continually collecting, analyzing and sharing what customers have to say in order to improve their products and services.

Moreover, MUFG monitors Group company's initiatives while enhancing its system for handling customer feedback.

In fiscal 2016, the number of such comments and requests received by the five principal Group companies totaled approximately 245,000. We made 463 improvements based on customer feedback monitoring.

\* The Bank of Tokyo-Mitsubishi UFJ, Mitsubishi UFJ Trust and Banking, Mitsubishi UFJ Morgan Stanley Securities, Mitsubishi UFJ NICOS and ACOM



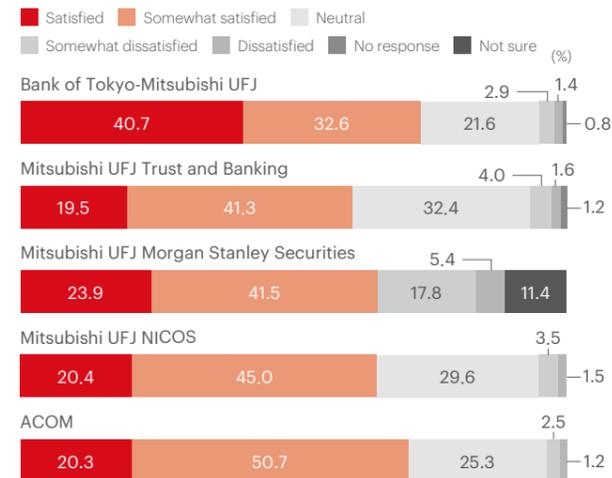
### Customer Satisfaction Surveys

We conduct periodic customer satisfaction (CS) surveys, sending out questionnaires by post and conducting online surveys. We also strive to improve questionnaire items, combining overarching Group themes with each group company's-specific themes. In these ways, we assess how customers evaluate our initiatives and whether our services meet customers' expectations.

For detailed results of CS surveys undertaken for individual and corporate customers, please also visit the following page of the Company's website. <http://www.muftg.jp/english/csr/juten/customer/okyakusamanokoe/>

#### Results of CS Surveys for Individual Customers (November–December 2016)

The surveys indicated that approximately 60% to more than 70% of respondents were "satisfied" or "somewhat satisfied" with our overall services.



### Quality Management That Takes into Account the Customer's Perspective

To enhance the quality of our products and services, we closely examine the sufficiency of measures in place 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 to after-sales services.

#### Checklist for Putting the Customer First

1. Accurately meets customer needs.
2. Pros and cons have been clearly laid out for the customer, and cons, if any, have been properly explained.
3. All efforts have been made to make the product easily understandable, including the provision of advertising and information on comparisons with similar products.
4. All actions have been taken to prevent customer complaints from occurring, and measures for responding quickly to complaints have been prepared in the event of their occurrence.
5. Confirmation that our customers' families, like our customers themselves, have no anxieties about our products and services, have been taken.

### Training Our Employees to Enhance Their Customer Relation Skills

Each employee strives to enhance their customer relation skills by, for example, attending joint training sessions and business site-based training sessions and viewing tutorial DVDs. Progress in their skills development is periodically confirmed through external monitoring.

Moreover, the Company provides training sessions centered on hands-on experience on how to treat the elderly and people with disabilities, ensuring that attendees learn how to meet such customers' specific needs and are instilled with a spirit of hospitality.



Virtual experience of what it is like to be elderly or a person with a disability

### Pursuing Customer-Centric Business Management

MUFG periodically holds Corporate Social Responsibility Committee meetings and Customer Complaint Monitoring Meetings to discuss how to improve our customer evaluations. At these meetings, the officers in charge of customer relations, Group Heads and presidents of Group companies assess how customers evaluate our products and services overall while tackling management issues they face in the course of pursuing even higher evaluations.

In 2017, MUFG established the Fiduciary Duty Promoting Committee under its Executive Committee with the aim of systematically pushing forward with a customer-centric operational approach.

# Directing Our Human Resources to Value Creation Initiatives

**Operating in regions around the world, MUFG's robust workforce consists of approximately 150,000 people boasting diverse skills and experience. MUFG aims to ensure that all its human resources stay highly motivated and are able to concentrate on duties that lead to the creation of greater value. To that end, the Group is striving to develop a rewarding work environment that enables every employee to live up to their potential as they resolve customer's issues and contribute to the betterment of society.**

## Human Resources Strategy

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

### Shared Values

The MUFG Human Resources Principles will be implemented globally across MUFG in alignment with our shared organizational VALUES of "Integrity and Responsibility," "Professionalism and Teamwork" and "Challenge Ourselves to Grow."

### HR Mission

The MUFG Human Resources Principles support the achievement of the following HR mission:

- Create a corporate culture that provides colleagues with opportunities for career growth, challenging them to perform well in a professional environment, where the highest standards of integrity are expected.
- Appointing the right person to the right job, in the right place to allow each colleague to maximize his/her career potential.
- Develop talent capable of contributing to the long-term and sustainable growth of our global society.

### HR Vision

Be the industry leader in HR management to help MUFG realize its Corporate Vision: Be the world's most trusted financial group.

### HR Philosophy

Leverage the following HR philosophies to create consistent HR management practices across all MUFG entities:

- Globally attract and recruit diverse talent that share and live OUR VALUES as members of MUFG.
- Evaluate performance fairly and objectively, considering not only the goals achieved, but also the competencies demonstrated to get the job done. Recognize the importance of factors, such as customer-centric focus, global mindset, and teamwork, to balancing short-term results with sustained long-term performance.
- Reward colleagues competitively and appropriately in alignment with their contributions to MUFG's growth and success - in effect, pay for performance. In addition

to colleague performance, rewards will be reflective of the overall stability of the company and the economy.

- Assess the capabilities and career path of each colleague to place the right person in the right job, to maximize colleague and MUFG success.
- Provide ongoing learning and development opportunities to help each colleague enhance his/her knowledge, skills and experience.

## Human Resource Development

MUFG is striving to nurture human resources capable of supporting the long-term development of society at home and abroad.

Along with encouraging each employee to achieve a steeper "growth curve" and create greater value through the execution of duties, we offer a variety of career paths and provide a range of training programs tailored to different job categories and positions. Furthermore, we support highly motivated individuals seeking to develop themselves by providing various opportunities to pursue personal development.

Having made the provision of career paths essential, MUFG is focusing on equipping employees with professional skills and specialist knowledge in the field of finance while nurturing manager candidates through a broad range of managerial assignments that transcend their fields of specialty. We also provide the CFA job rotation program, which involves the transfer of staff between the Bank of Tokyo-Mitsubishi UFJ and Mitsubishi UFJ Securities Holdings and its subsidiaries as part of our initiatives to help Group employees acquire robust job experience in areas beyond conventional business category and sector boundaries.

In March 2015, we established the MUFG Global Learning Center as a core human resource training facility for the Group. The establishment of a dedicated facility attests to MUFG's strong commitment with regard to human resource development. A range of people, from top management leaders to new recruits, are constantly present at this facility for the purpose of passing down skills and knowledge to younger employees while inspiring each other to create value.

Looking ahead, we will establish a robust human resource development structure through an organic combination of career paths, employee training and personal development. By doing so, we will ensure that our organizational values, namely, "Integrity and Responsibility," "Professionalism and Teamwork" and "Challenge Ourselves to Grow," are shared and maintained at each workplace across the Group while stepping up the development of future human resources who will eventually spearhead the creation of new value.

## Responding to Globalization

MUFG has more than 1,200 business bases in more than 50 countries and regions around the world, with around 40% of its workforce being assigned to locations overseas as of March 31, 2017. Taking these situations into account, MUFG is stepping up the development of a globally unified HR management structure for the Group.

### Nurturing Globally Capable Management Candidates

MUFG recognizes that securing and nurturing personnel with international business management know-how as well as highly specialized experts in this field is key to the success of its global business strategy. To that end, the MUFG Talent Council is in place to discuss the criteria for selecting candidates for more than 200 key managerial positions to be filled on a global basis, develop management succession plans and assess the sufficiency of human resources in light of the execution of business strategies.

### Enhancing Employee Training Aimed at Nurturing Globally Capable Human Resources

MUFG is providing locally hired staff with job-level based training programs aimed at nurturing professionals in finance. Among these programs is "Global Leaders' Forum" co-hosted by the International Institute for Management Development based in Switzerland. At this forum, divisional head-level employees from each Group company gather and undergo special training aimed at equipping them with the ability to promote the Corporate Vision and management strategies while enhancing their leadership and communication skills in multi-cultural settings.

## Stepping up Recruiting Activities on a Global Basis

Facing growing customer needs for more sophisticated services in Japan and overseas, we are acutely aware of the importance of making MUFG an employer of choice among potential recruits in countries abroad. With this in mind, MUFG opened an official account with LinkedIn, the world's largest social network for professionals. Disseminating corporate information via this account, we will establish a corporate image as an excellent company with a decent workplace environment while broadening our access to promising human resources around the globe.

## Optimal Staffing on a Global Basis

MUFG offers such in-house job posting schemes as the Global Job Posting Framework to its locally hired staff with the aim of ensuring optimal staffing on a global basis and fostering a sense of unity among Group employees through human resource exchange. Utilizing these schemes, MUFG provides employees who were hired overseas with opportunities to work at locations other than those where they joined, such as in Japan.



## Promoting Workforce Diversity

**Our Medium- and Long-Term Vision**

Be the world's most trusted financial group

1. Work together to exceed the expectations of our customers
2. Provide reliable and constant support to our customers
3. Expand and strengthen our global presence

**Our Values**

Integrity and Responsibility

Professionalism and Teamwork

Challenge Ourselves to Grow

**Our Vision for Initiatives to Promote Diversity**

An organization that welcomes people with diverse backgrounds, encourages them to respect and inspire each other and allows them to freely pursue personal growth and career success

**Enlighten, Encourage, Empower.**  
Work together as a Group to exceed customer expectations

Human Resources Strategy

**Facilitating a Diversity-Oriented Corporate Culture**

MUFG has established the Principles of Ethics and Conduct and compliance manuals that clarify its commitment to nondiscrimination no matter the race, nationality, belief, religion, gender, sexual orientation, gender identity or other grounds and to abstaining from human rights violations. Guided by this commitment, MUFG recognizes a diversity-oriented corporate culture as fundamental to realizing its medium- to long-term vision of becoming the world's most trusted financial group. Specifically, MUFG believes that the Company must create an organization that welcomes people with diverse values, backgrounds and perceptions of work and that encourages them to respect and inspire each other while allowing them to freely pursue personal growth and career success.

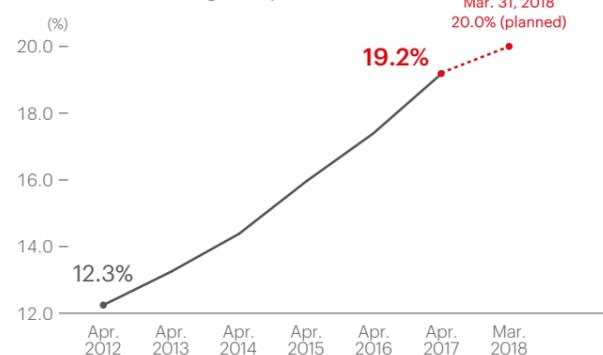
To support the creation of such a culture on a Groupwide basis, MUFG issues the annual Diversity Report, featuring messages from top management and diversity initiatives and best practices undertaken by Group companies. Moreover, since 2010 staff charged with diversity promotion have hosted periodic Global Inclusion & Diversity Forums to share information on their latest accomplishments and engage in discussions about future collaboration.

**Assisting Women with Career Development**

One of our most urgent diversity issues is promoting women's career development. MUFG has set the goal of raising the ratio of female managers within the Group in Japan to 20%\* by the end of March 2018. Furthermore, each Group company has set its own numerical target for the active promotion of its female workers. Thanks to these efforts, the ratio of female managers at MUFG improved to 19.2% as of April 2017.

To help women develop their potential and find success in their careers, each Group company is implementing a variety of supportive initiatives, for example, providing opportunities to interact with executives and build

Ratio of female managers in the entire managerial positions\*



\* Total of the Bank of Tokyo-Mitsubishi UFJ, Mitsubishi UFJ Trust and Banking and Mitsubishi UFJ Morgan Stanley Securities

Each Company's Targets for the Number of Female Workers in Managerial Positions and Results

		March 2016	March 2017	Targets*1
Bank of Tokyo-Mitsubishi UFJ	Executive Officer	0	0*2	At least 1
	General Manager	4.5%	5.5%	At least 6%
	Chief/Senior Manager	14.2%	16.6%	At least 14%
	Managerial Staff	18.1%	20.1%	At least 22%
Mitsubishi UFJ Trust and Banking Corporation	Line Manager	6.1%	7.0%	At least 8%
	Managerial Staff	20.5%	21.5%	At least 22%
Mitsubishi UFJ Morgan Stanley Securities	Section Manager Class or Above	71	77	At least 120
	Assistant Manager Class or Above	10.9%	11.9%	At least 13%

\*1 Target figures for the Bank of Tokyo-Mitsubishi UFJ, Mitsubishi UFJ Trust and Banking and Mitsubishi UFJ Morgan Stanley Securities are set to be achieved by March 31, 2018, 2019 and 2021, respectively.

\*2 In May 2017, one female executive officer was appointed (Ms. Chiaki Kitagawa who concurrently serves as General Manager for a retail branch management division)

networks with fellow female employees, implementing career development training and mentoring support for women, and adopting personnel systems allowing women to convert job categories and helping those who left the workforce to get reinstated.

We also provide managers with dedicated training programs to impart methods regarding the oversight of diverse human resources, including working mothers, aiming at raising employees' awareness of the career development assistance that those in managerial positions can provide.



**Employment for People with Disabilities**

Utilizing its special subsidiary, MUFG is proactively hiring people with disabilities. At each MUFG Group company, people with disabilities are actively working in various offices. As for staffing these people, we work closely with them in order to match their duties to the capabilities and aptitudes of each according to their individual circumstances.

Ratio of Employment for people with disabilities (domestic Group companies)

	Bank of Tokyo-Mitsubishi UFJ	Mitsubishi UFJ Trust and Banking Corporation	Mitsubishi UFJ Morgan Stanley Securities
Ratio of employees with disabilities	2.20%	2.22%	2.28%

\* As of April 1, 2017 (statutory employment rates: 2.0%)

**Promoting Work Style Reforms**

**Work-Life Balance**

MUFG believes that higher employee satisfaction is reflected in work performance and leads to increased customer satisfaction. MUFG also believes that an employee's job fulfillment is reflected in society and at home, fostering better communities. Therefore, MUFG is striving to help employees strike a good work-life balance in order to create an even more rewarding workplace environment.

**Helping Strike a Balance between Work and Child Rearing**

Each MUFG Group company is working to help employees strike a balance between work and child rearing by, for example, providing reinstatement support programs, such as training and counseling sessions for employees prior to taking maternity or childcare leave and for employees who are about to be or have been reinstated to the workforce. Each Group company also provides subsidies for childcare and babysitter expenses while enhancing its personnel systems, such as a system to allow eligible employees to shorten working hours. As part of these efforts, MUFG launched a counseling service in February 2017 to assist employees searching for childcare facilities, and opened a company-sponsored childcare facility in April.



**Promoting Male Participation in Child Rearing**

In general, few men choose to take childcare leave in Japan. Nevertheless, each MUFG Group company offers male workers short-term paid childcare leave to encourage them to participate in child rearing. We also distribute tips on child rearing as well as benefits so that men can play significant roles in the lives of children in their care. Thanks to these efforts, the number of male employees who took short-term paid childcare leave considerably grew from 256 in fiscal 2015 to 613\* in fiscal 2016.

\* Total of the Bank of Tokyo-Mitsubishi UFJ, Mitsubishi UFJ Trust and Banking and Mitsubishi UFJ Morgan Stanley Securities

**Helping Strike a Balance between Work and Nursing Care**

With the rapid aging of Japan's society, nursing care is an issue that any employee might one day confront. To help employees strike a balance between work and nursing care, MUFG holds seminars aimed at raising their awareness of the importance of being ready to prepare for this issue even before it emerges and imparting basic knowledge on nursing care. By doing so, we help employees smoothly engage in nursing care whenever necessary.

**Work Style Reforms**

Each MUFG Group company promotes Work Style Reforms. Specifically, we employ feedback from employees gleaned in town hall and working group meetings to promote structural reforms aimed at revising procedures and working practices that had to that point been resistant to change. We are also striving to realize more flexible working styles, including earlier shifts, flextime and staggered working times, and allowing eligible employees to work from home. By doing so, we hope to improve productivity while simultaneously preventing excessive overtime.

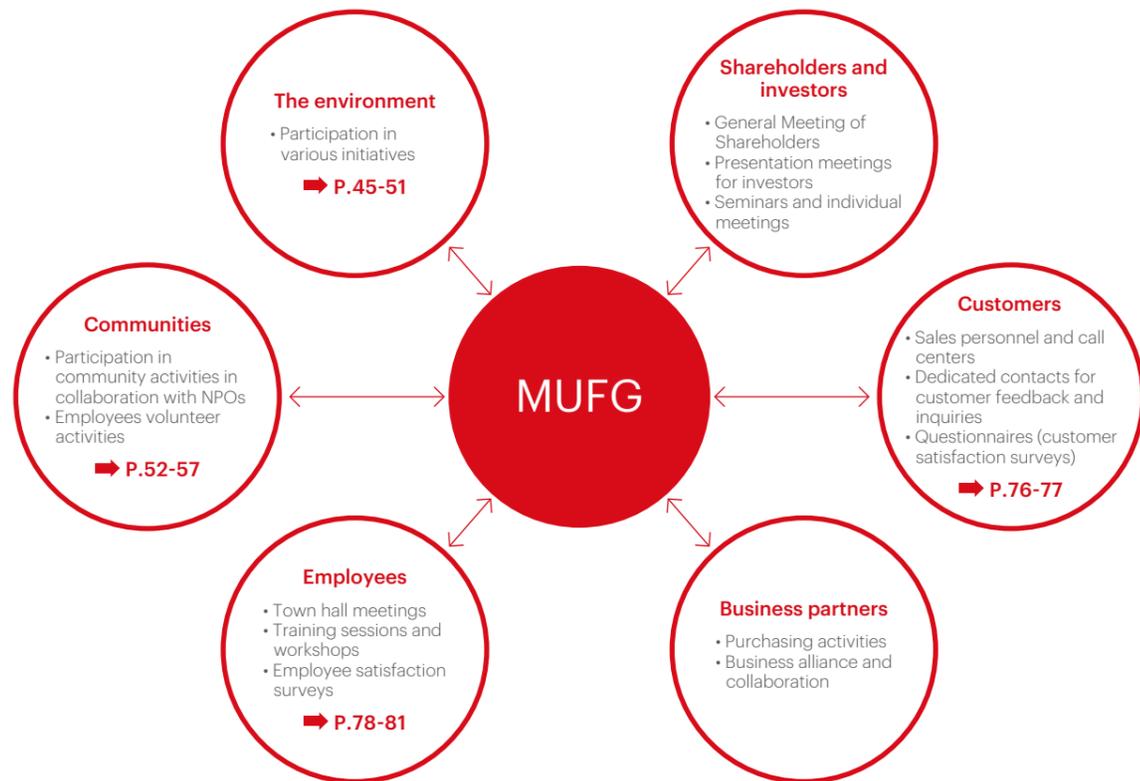
Furthermore, we are working to equip our managers with the flexibility to take into consideration and accommodate the private circumstances of individual staff members under their supervision and thereby maximize the potential and motivation of their staff. We believe that increasing the number of such flexible managers is a key part of enhancing organizational productivity. Guided by this belief, the Bank of Tokyo-Mitsubishi UFJ, Mitsubishi UFJ Trust and Banking and Mitsubishi UFJ Morgan Stanley Securities have become participants in the "IkuBoss Corporate Alliance," a networking initiative sponsored by Fathering Japan, an NPO aimed at encouraging men to play a greater role in childrearing. Participation in the alliance with like-minded domestic corporations, which are proactively striving to raise managers' awareness and equip them with ideal traits as future business leaders, better positions the Company to create an open and inclusive working environment that allows diverse people to freely pursue professional success.



# 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.

Meanwhile, MUFG engages with NGOs and NPOs that work to resolve issues society is confronting, incorporating the insights and advice such bodies provide into its own CSR activities. Moreover, MUFG takes part in the Global Compact Network Japan's subcommittees and other similar initiatives to engage in dialogue with other participants, study their best practices and remain informed of the latest developments related to social issues. In these ways, the Company is striving to help resolve such issues.



Park cleaning up and renovation work with the Student Conservation Association

## Dialogue with Shareholders and Investors

### General Meeting of Shareholders

The 12th Annual General Meeting of Shareholders was held on June 29, 2017.  
 The number of attendees: 2,150

In addition to a presentation on the past fiscal year and a report on the Company'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 12 shareholders. The meeting provided an excellent opportunity to interact with shareholders and enhance mutual understanding.



The 12th Annual General Meeting of Shareholders

### Large meetings for individual investors

Held on seven occasions in fiscal 2016; approximately 1,360 attendees

### Large meetings for institutional investors

Held on 12 occasions in fiscal 2016

### One on One meetings with institutional investors

Held on 557 occasions in fiscal 2016  
 (Of those, 387 meetings with overseas investors)



Large meeting for individual investors

## Dialogue with Employees

The Bank of Tokyo-Mitsubishi UFJ, Mitsubishi UFJ Trust and Banking, Mitsubishi UFJ Securities Holdings and its subsidiaries as well as Mitsubishi UFJ NICOS hold town hall meetings and round-table conferences aimed at enhancing mutual understanding between top management and employees.

In addition, MUFG is periodically conducting employee satisfaction surveys to reflect voices of employees in its business management.



Mitsubishi UFJ Morgan Stanley Securities



Mitsubishi UFJ Trust and Banking



Mitsubishi UFJ NICOS

# 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.

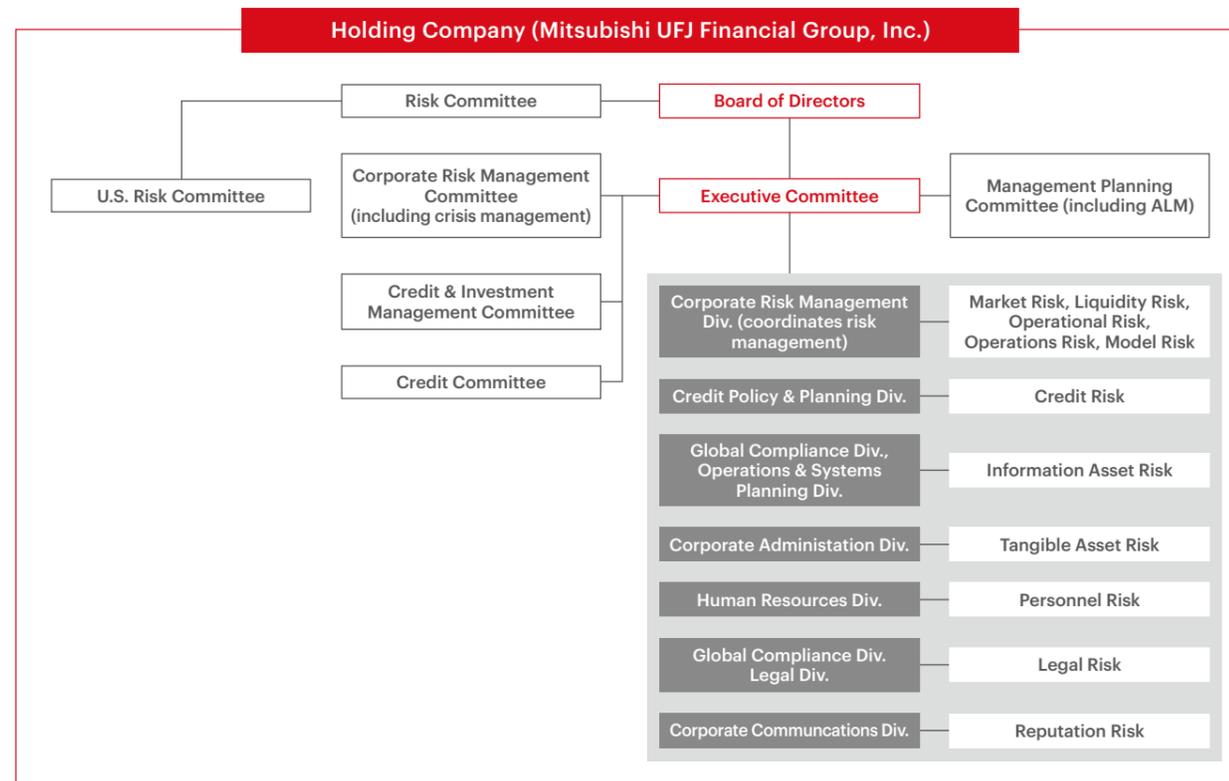
MUFG aims to strengthen its Group risk management through the diffusion of a risk culture that strengthens the structure of Group business management as well as integrated risk management. Our goal is effective risk governance which is consistent across regions, subsidiaries and the holding company.

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.

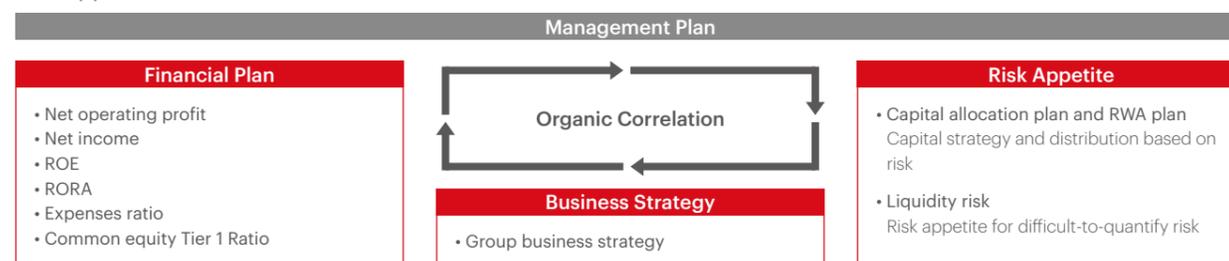
## Risk Appetite Framework

The Risk Appetite Framework aims to clarify MUFG's risk appetite (types and amount of risks 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 to set and manage 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 Management

### Enterprise Risk Management

MUFG makes every effort to recognize the risks that emerge in the course of business execution, assessing them according to uniform criteria. Enterprise risk management is then conducted while maintaining business stability and striving to maximize shareholder value. Enterprise risk management is a 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 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 (internal and external factors). The risks that need to be watched most closely over the next year are classified as Top Risks and a risk map is created to allow preventive risk management.

By identifying Top Risks, MUFG and its affiliates can discuss countermeasures to mitigate the potential impact and then respond dynamically when they actually emerge. As Top Risks are discussed Groupwide, including management, consistent risk recognition is maintained widely throughout the Group and effective solutions implemented. As an example, in the Top Risk report submitted to our Board of Directors via the Corporate Risk Management Committee in March 2017, "Decline in profitability of Net Interest Income (NII)" was cited as a major Top Risk.

### Major Top Risks

Risk incidents	Risk scenarios*
A decline in profitability (including a decline in profitability of Net interest income)	<ul style="list-style-type: none"> <li>Decline in profitability of net interest income due to negative interest rate policy.</li> <li>Decline in overall profitability due to constraints on balance sheet size caused by regulatory factors.</li> </ul>
Foreign currency liquidity risk	<ul style="list-style-type: none"> <li>Depletion of foreign currency liquidity or significant increase in its cost due to deterioration of market conditions.</li> </ul>
An increase in credit costs	<ul style="list-style-type: none"> <li>Globally, concerns about concentration risk may be heightened against the backdrop of low interest rates globally, the influx of money due to quantitative easing, and the tendency of financial institutions to chase yields. This may push up inter-risk correlation and sensitivity in the credit portfolio to an unprecedented degree, causing an increase in credit costs.</li> </ul>
IT risk	<ul style="list-style-type: none"> <li>Customer information leakage and reputational damage due to cyber-attack.</li> <li>Payment of compensation costs and reputational damage due to system failure.</li> </ul>
Risk associated with money laundering and economic sanctions	<ul style="list-style-type: none"> <li>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.</li> </ul>

\* 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 2017. 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 which enables meaningful discussion and clear communication throughout the Group.

### Developing and Diffusing a Risk Culture

MUFG defines a Risk Culture as the basic approach which specifies how to take risks and risk management for MUFG's organizational and individual behaviors. While maintaining consistency with Principles of Ethics and Conduct in risk management, it is stated in the risk appetite statement. A Risk Culture is established for credit business, market business and overall business and then formulated in the Risk Appetite Statement. In order to share this Risk Culture throughout the Company, management issues regular strategic messages and holds regular meetings globally.

### MUFG's Risk Culture

<b>Sincerity</b>	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.
<b>Quality</b>	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.
<b>Responsibility</b>	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.
<b>Respect</b>	Every MUFG Group employees remains a committed professional with a strong sense of personal responsibility and the deepest respect for their colleagues.



### 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 uncertain environment continues.

## 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 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.

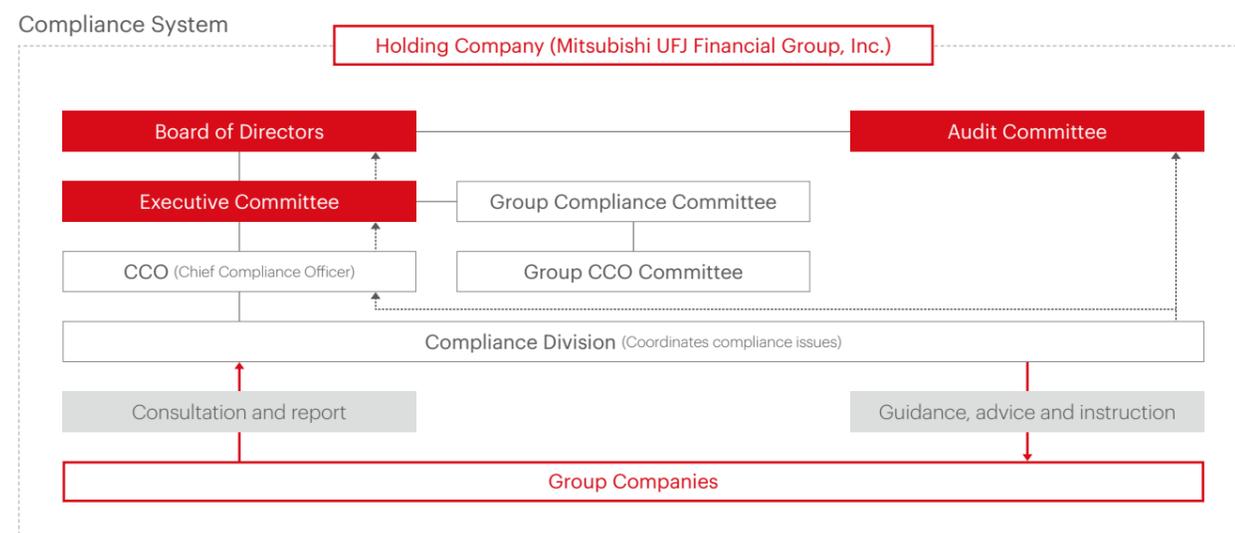
In addition, as we expand our business globally, we are committed to keeping abreast with developments in the laws and regulations of the jurisdictions in which we operate, including those targeting money laundering and bribery, as well as competition laws, while paying attention to trends in financial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

### Compliance System

Compliance management divisions have been established at the holding company Mitsubishi UFJ

Financial Group, and at Bank of Tokyo-Mitsubishi UFJ, 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 CCOs of the three companies. This committee deliberates important matters related to compliance and compliance-related issues for which the Group should share a common understanding.



### Practicing MUFG's Corporate Vision and Principles of Ethics and Conduct

In addition to strictly abiding by laws and regulations, every financial institution has a duty to remain acutely aware of and sincerely comport itself in line with the expectations of customers and society. With this in mind, MUFG periodically holds training sessions aimed at developing corporate culture that does not tolerate injustice and to instill in employees a customer-first attitude focused on delivering value that satisfies customers. In these sessions,

participants are asked to reflect on their experience and assess whether their decisions and actions reflect the Corporate Vision and Principles of Ethics and Conduct. At the same time, they hear their peers' views on the subject and are given time to reflect on what they learn. The sessions often involve lively discussions that afford valuable insights into what is it like to apply compliance principles in the course of day-to-day operations.

## 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.

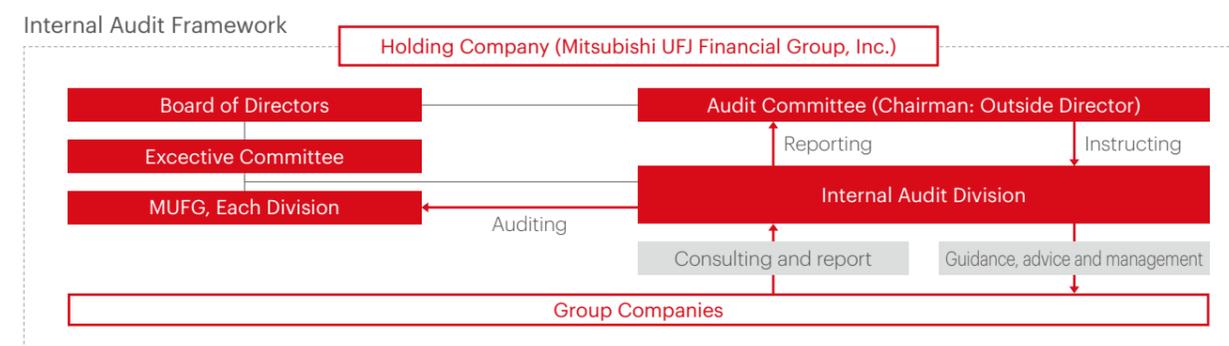
### Implementing Effective and Efficient Internal Audit

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 has an Audit & Supervisory Committee or a voluntarily established audit committee.

Within each of the holding company and 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.



### Enhancing the Effectiveness of Internal Audits

As a G-SIB, MUFG is obligated to strictly verify the effectiveness of all its internal control systems. Accordingly, a variety of initiatives are being carried out to enhance the effectiveness of internal audits. For example, MUFG has initiated data analysis employing CAAT\* as part of initiatives that proactively introduce new auditing methodologies that enable the Company to detect flaws not otherwise identifiable through conventional auditing methods. MUFG also adopted cutting-edge audit standards in the area of

cyber security as it is well aware of the significance of risk deriving from shortfalls in this field. To develop human resources charged with auditing, we encourage employees to acquire such international certification as Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA) and Certified Anti-Money Laundering Specialist (CAMS), with the aim of enhancing the specialist skills of members of these divisions and accumulating relevant expertise.

\* Computerized Accounting and Auditing Techniques

# Responding to Global Financial Regulation

Since the global financial crisis of 2008, financial institutions have been required to hold to stricter standards of financial soundness and management discipline. New regulations have been introduced and existing regulations, including capital adequacy ratios, have been tightened in the quest to establish a more stable financial system. At the same time, new challenges and issues have been thrown up in the process. In this section we look at the trend for global financial regulation and our response.

## Trend in Global Financial Regulation

<p><b>2007</b></p> <ul style="list-style-type: none"> <li>U.S. housing bubble bursts</li> </ul>	<p><b>Fragility of financial system spurred stronger global regulation</b></p> <p>As subprime loans to low-income households in the U.S. went bad, Lehman Brothers (which held a large number of subprime-related financial products) filed for bankruptcy. This caused a sharp contraction of credit in the global financial markets and exposed the fragility of the financial system.</p>
<p><b>2008</b></p> <ul style="list-style-type: none"> <li>Lehman Brothers collapse</li> </ul>	
<p><b>2010</b></p> <ul style="list-style-type: none"> <li>European sovereign debt crisis</li> <li>Announcement of Basel III</li> </ul>	<p><b>New regulations to ensure the soundness of banks engaging in international business</b></p> <p>In 2010, the Basel Committee on Banking Supervision (composed of representatives from the main bank supervisory agencies around the world) introduced Basel III, designed to ensure the continued soundness of major banks engaging in international business. It has three main elements.</p>
<p><b>2013</b></p> <ul style="list-style-type: none"> <li>Start of application of capital adequacy ratio requirements (to be phased in up to 2019)</li> </ul>	<p><b>Capital ratio requirements</b></p> <p>Banks must keep their capital adequacy ratios above a certain level in relation to risk-based exposure (risk-weighted assets).</p>
<p><b>2015</b></p> <ul style="list-style-type: none"> <li>Start of application of Liquidity Coverage Ratio (LCR)</li> </ul>	<p><b>Leverage ratio</b></p> <p>Banks must keep their capital adequacy ratios above a certain level in relation to non-risk-based exposure (total assets shown on financial statements and off-balance-sheet assets).</p>
<p><b>2018 (Internationally agreed-upon deadline)</b></p> <ul style="list-style-type: none"> <li>Start of application of leverage ratio requirements</li> <li>Start of application of Net Stable Funding Ratio (NSFR)</li> </ul>	<p><b>Liquidity requirements</b></p> <p>This is composed of the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR).</p> <p>LCR: Banks must keep liquid assets that can be converted easily and immediately into cash above a certain level in order to cover any fund outflows.</p> <p>NSFR: Banks must maintain stable funding sources (which can effectively respond to stress for one year) above a certain level.</p>

## MUFG's Response

### MUFG has already fulfillment of levels required by the end of March 2019

As the table at right shows, MUFG is in compliance with the levels required by end-March 2017 and it has already reached the levels required by end-March 2019.

In addition, calculation methodologies for capital and leverage ratios are at the center of global discussion. (See also the next page for details.)

	Results March 31, 2017	Required level March 31, 2017	Required level March 31, 2019
Common Equity Tier 1 Capital Ratio	11.76%	6.5%	8.5%
Tier 1 Capital Ratio	13.36%	8.0%	10.0%
Total Capital Ratio	15.85%	10.0%	12.0%
Liquidity Coverage Ratio	137.9%	80.0%	100.0%
	Results March 31, 2017	Required level* From March 2018 onward	
Leverage Ratio	4.81%	3.0%	

## G-SIBs Facing Demand for Ever More Stringent Compliance

### 1. Surcharge on required capital ratio

G-SIBs (Global Systemically Important Banks) are banks whose failure would have a major impact on the global financial system according to the Financial Stability Board whose membership derives from financial supervisory authorities around the world. Basel III stipulates a surcharge on the required capital ratio of G-SIBs (from 1.0% to 3.5%) to be phased in from 2016. This would represent a surcharge of 1.5% for MUFG up to 2019 under the current bucket allocation.

Bucket	Capital Surcharge	Members
Bucket 5	3.5%	Barclays (U.K.)
Bucket 4	2.5%	Citigroup (U.S.), JP Morgan Chase (U.S.)
Bucket 3	2.0%	Bank of America (U.S.), BNP Paribas (France), Deutsche Bank (Germany), HSBC (U.K.)
Bucket 2	1.5%	Goldman Sachs (U.S.), Industrial and Commercial Bank of China (China), <b>MUFG (Japan)</b> , Wells Fargo (U.S.)
Bucket 1	1.0%	18 Banks

### 2. Requirement to secure greater 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 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.

	From 2019 onward	From 2022 onward
TLAC risk-weighted asset minimum	16%	18%
TLAC leverage ratio exposure minimum	6%	6.75%

## MUFG's Stance on Global Financial Regulations

In order to avoid a reprise of the financial crisis, reform and strengthened regulations are required both for individual institutions and the system as a whole. On the other hand, we must ensure that the new regulations do not bring uncertainty to both financial markets and the real economy or hamper healthy development and innovation. It is therefore necessary to carefully consider the impact of new

## Key Issues Going Forward

MUFG is paying close attention to developments related to the following three issues involving current global financial regulations.

- International discussions pertaining to risk-weighted asset measurement methodologies and the current regulatory framework governing the leverage ratio have yet to yield an agreement, despite initial projections suggesting that a conclusion would be reached by the end of 2016. The earlier finalization of these revisions is awaited.
- Financial authorities worldwide were focused on formulating new regulations for some time following the latest financial crisis but have now shifted that focus to monitoring the effectiveness of said regulations since enactment. In fact, the Financial Stability Board and other relevant organizations are undertaking assessments of the impact of new regulations. If these assessments reveal unexpected consequences or shortfalls vis-à-vis the regulations' intended effects, there will be a need for readjusting the content of the regulations in question.
- Authorities in certain regions have been found to be making country-specific modifications to internationally agreed standards, thus creating local versions that are more lenient or stringent than global regulations. In addition, some global regulations have yet to be enacted in certain countries despite international agreements to that effect. MUFG believes that such fragmentation of financial regulations must be avoided in order to maintain a level playing field among financial institutions.

### 1. Review of risk-weighted asset measurement methodologies

Capital ratio = capital / risk-weighted assets
Review of measurement methodologies for each risk
Review of capital floor

### 2. Review of regulatory framework for leverage ratio

Leverage ratio = capital / exposure (total assets shown on the balance sheet and off-balancesheet assets).
Review of measurement methodologies for denominator (exposure)
Surcharge on the required leverage ratio of G-SIBs