

Risk Management for the Mitsubishi UFJ Lease & Finance Group

The Growing Importance of Risk Management for Sustainable Growth



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Our aim is to increase corporate value and achieve sustainable growth by monitoring changing market conditions in the medium-to-long term and by identifying and helping solve social issues. In that sense, it is ever-more important to build a robust risk management system that can ensure stable management even when the operating environment is undergoing drastic change.

■ Risk Assessment That Permits the Development of a Variety of Businesses

In recent years, the Mitsubishi UFJ Lease & Finance Group has expanded its overseas businesses, opening up new business opportunities in several fields. What is important when developing such businesses is assessing the relevant risks. We closely examine each business' profile to gain a deep understanding of the nature of its transactions and assets, and use this information to make optimal assessments.

Having a comprehensive grasp of the Group's various businesses and quantifying them on a common scale make it possible for the Group to appropriately manage and control its risks as a whole.

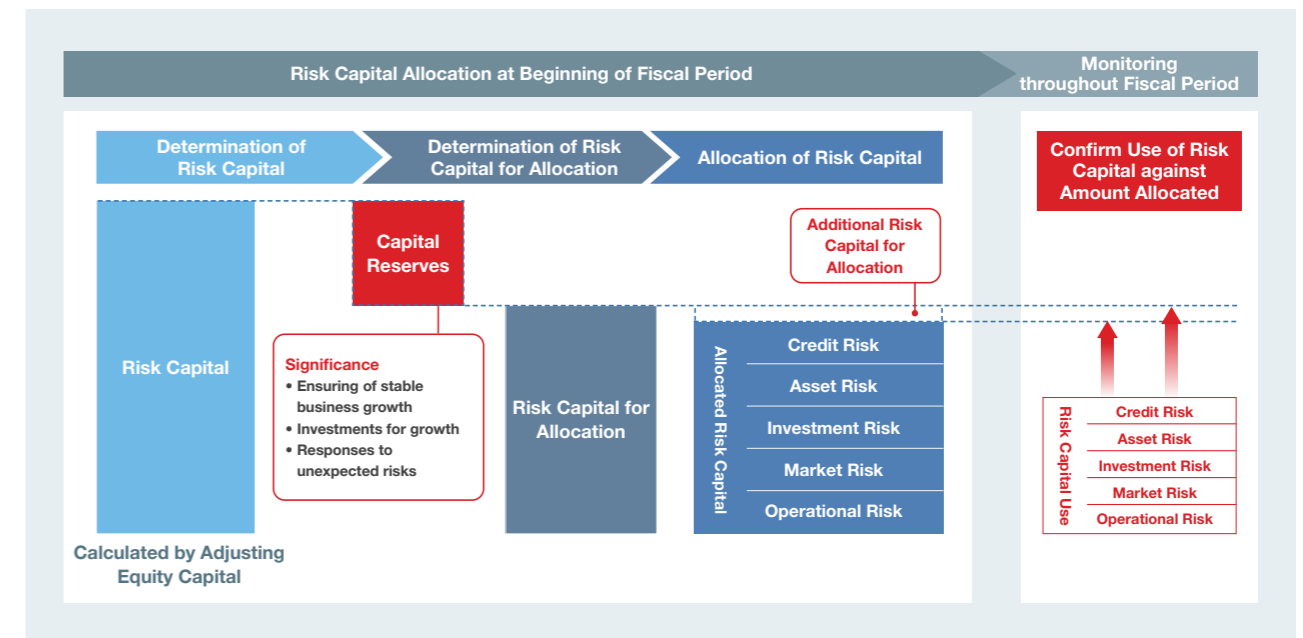
■ Support for Stable Operations through Risk Capital Management

We operate businesses that incorporate an integrated risk management framework based on these quantified risks while maintaining stable financial management in order to increase profitability and raise capital efficiency.

To ensure such stable management, we formulate a yearly Groupwide risk capital management plan based on its Risk Capital Management Policy. The plan, which also draws from the Groupwide investment plan, takes full consideration of risk fluctuations, capital adequacy, investment capacity, and other factors. The plan is subjected to deliberation by the Risk Management Committee, comprising top management and the heads of relevant departments, after which it is approved by the Management Committee and reported to the Board of Directors.

The Company has built a system through which it engages in routine monitoring throughout the fiscal year of its various portfolios, market conditions, and industry trends as well as the use of risk capital in accordance with quantified risks. The Company also works to appropriately control risks within the scope of its management capabilities as part of this system.

■ Risk Capital Management to Ensure Stable Financial Management



■ A Risk Management System Applicable to Individual Transactions

It is important that a groupwide risk management system, such as the one utilized by Mitsubishi UFJ Lease & Finance, be adaptable to the rationale driving each individual transaction. The Group holds investment council meetings for investment projects involving certain amounts of money or higher, and considers these projects in terms of whether they will yield a return commensurate with capital costs based on a risk assessment. In addition to the risk-return perspective, experts from specialized departments consider and discuss each project in terms of business feasibility, financial stability, and legality, after which top management determines the overall feasibility of a project. As the contents of individual investment transactions are becoming increasingly diverse and complex, we are building a mechanism to examine risks from multiple perspectives while pursuing adequate returns. For other individual transactions, we also apply investment guidelines that reflect capital costs.

In these ways, the Company has established a comprehensive management system centered on risk assessment, from Groupwide integrated risk management led by top management to the perspective of individual transactions under consideration by respective departments.

■ Targeting of Sustainable Growth

In light of the rapid changes in the external business environment and increasing uncertainty regarding unclear economic and social conditions, business operations that can account for various situations are more necessary than ever before.

For this reason, we conduct stress tests based on multiple potential scenarios and perform multifaceted assessments to ascertain the Group's risk resilience, even at the cusp of a New Medium-term Management Plan. The Group also strives to diversify its portfolio while conducting regular monitoring of various relevant criteria and compliance with credit limits extend to major obligors, in order to avoid the concentration of risks by country, region, obligor, and asset type, among others.

For major assets, we regularly monitor industry trends and signs of asset value fluctuations, and are working to enhance our predictive management system, which allows us to reflect these changes in our business operations accordingly.

In order to expand into new fields and work toward sustainable growth, it is necessary to improve our risk management system to craft a more flexible response to new risks and unexpected events. We will work to further enhance our risk management system, create value for society, and thereby increase corporate value.

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