

Strengthening of Governance to Improve Corporate Value over the Medium-to-Long Term

Basic Policies on Corporate Governance

Protection of Shareholder Rights and Equality

We take steps to ensure that the rights of shareholders are protected and can be exercised effectively, including furnishing the necessary environment for that exercise, and guarantee the fair treatment of minority shareholders, overseas shareholders, and all other shareholders.

Appropriate Collaboration with All Stakeholders

In accordance with our corporate philosophy, which guides all of our activities, and with the Mitsubishi UFJ Lease & Finance Group Code of Ethics and Code of Behavior, which serves as the standard for decisions and behavior for all employees, we strive to ensure appropriate collaboration with our various stakeholders. In addition, we are fostering a corporate culture that encourages respect for the diversity of stakeholders as well as for their rights and perspectives and for sound corporate ethics.

Appropriate and Transparent Disclosure

The Company strives to be trusted and properly evaluated by every one of its stakeholders. To this end, we conduct proactive disclosure on an ongoing basis, having established appropriately operated systems to facilitate the swift and impartial disclosure of accurate information. In addition to legally mandated information disclosure, we actively and voluntarily disclose non-financial information that has been deemed valuable to shareholders.

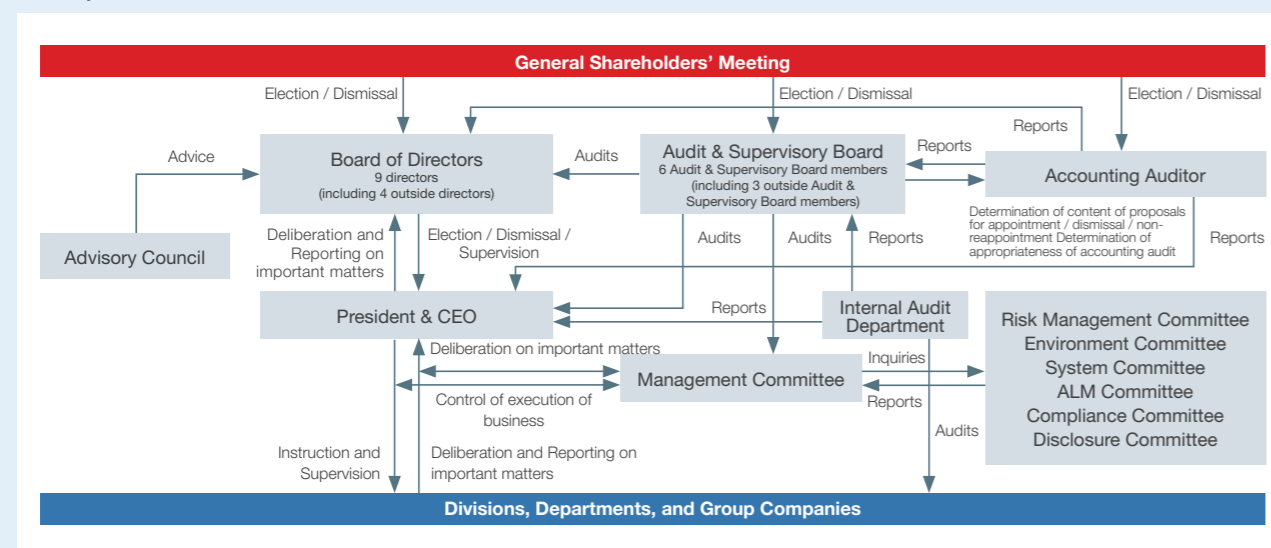
Responsibilities of the Board of Directors

Outside directors and all other members of the Board of Directors call upon their experience and insight as they engage in free and open discussion, contributing to active meeting proceedings. They thereby fulfill their duties and responsibilities of facilitating the ongoing growth of the Company, medium-to-long-term improvement of corporate value, and enhancement of earnings capacity and capital efficiency.

Shareholder Interactions

Through its financial results briefings and other domestic and overseas investor relations (IR) events, the Company pursues proactive and constructive interactions with shareholders. We thereby seek to gain an understanding with regard to the Company's management strategy and other aspects of operations while addressing shareholders in an appropriate manner based on an understanding of their perspective.

Corporate Governance Structure



Shift toward Stronger Governance

▼ April 2007 – The Birth of Mitsubishi UFJ Lease & Finance

	FY3/2008–FY3/2015	FY3/2016–FY3/2018	FY3/2019	FY3/2020	FY3/2021
Improvements in effectiveness of the Board of Directors	FY3/2015 <ul style="list-style-type: none"> Appointed independent outside directors 	FY3/2016 <ul style="list-style-type: none"> Introduced opinion exchange forums as a means to elicit outside opinions for use in management Began providing materials prior to Board meetings 	<ul style="list-style-type: none"> Reduced number of directors on the Board from 15 to 11 to facilitate strategic and flexible decision-making Increased ratio of outside directors on the Board to strengthen supervisory function over management 	<ul style="list-style-type: none"> Increased number of independent outside directors on the Board Reduced the number of directors on the Board from 11 to 9. Abolished opinion exchange forums and established Advisory Council Expanded Board meeting materials and introduced system for distributing materials beforehand 	<ul style="list-style-type: none"> Increased number of independent outside Audit & Supervisory Board members
Enhancement of Audit & Supervisory Board and internal audits	FY3/2010 <ul style="list-style-type: none"> Appointed independent outside Audit & Supervisory Board members 	FY3/2018 <ul style="list-style-type: none"> Formulated plan to transform internal audits to be implemented over the next three years 			
Director compensation system	FY3/2010 <ul style="list-style-type: none"> Introduced stock option compensation system Abolished retirement benefit system for directors and executive officers 			<ul style="list-style-type: none"> Increased range of variation in performance-based compensation to strengthen outside director influence in compensation decisions Introduced Advisory Council-led explanations of overall policy and standards before payment of compensation, and began reporting and verification of payments after providing compensation 	
Other			<ul style="list-style-type: none"> Reviewed advisory system 	<ul style="list-style-type: none"> Gradually reduced number of listings where stock is held for purposes other than pure investment from 308 in FY3/2010 to 185 	

Major Initiatives Aimed at Enhancing Governance

Diversity and Scale of the Board of Directors

The Mitsubishi UFJ Lease & Finance's Board of Directors comprises members from various industries and business circles, such as finance, trading companies, and manufacturers, and its membership is set at an appropriate scale to ensure this level of diversity. It is expected of all directors to utilize their skills and abilities to the fullest, backed by their respective experience, and to practice management supervision from every angle and with a high degree of insight. At the present time, the Company has no female or non-Japanese directors, but it does have a newly appointed female corporate auditor. Meanwhile, Audit & Supervisory Board members attend Board meetings from the viewpoint of confirming the appropriateness of business execution and are tasked with monitoring and confirming the management oversight function of the Board of Directors, as well as providing opinions when necessary. In addition, we have appointed multiple directors with extensive international business experience. The Company recognizes gender diversity as a management issue and will continue to investigate ways to address it.

Prompting of Discussions at Board of Directors' Meetings

To stimulate discussion, the Company distributes materials prior to meetings of the Board of Directors via mobile devices and has set training policies for directors and Audit & Supervisory Board members. Moreover, newly appointed outside directors receive briefings on the nature of their work duties from related departments.

Training Policies for Directors and Audit & Supervisory Board Members

- We provide documents with management-related information, such as securities reports and business reports, to newly appointed outside directors and outside Audit & Supervisory Board members as part of their briefing upon appointment, and explain business conditions.
- We provide directors and Audit & Supervisory Board members with information on training opportunities, which includes facilitating their attendance at seminars held by external organizations. In addition, we have established an Advisory Council consisting of representative directors, full-time Audit & Supervisory Board members, outside directors, and outside Audit & Supervisory Board members to serve as an advisory body to the Board of Directors. The Advisory Council exchanges and shares

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WEB

Information regarding corporate governance is available on the Company's corporate website.
<https://www.lf.mufg.jp/english/corporate/governance/index.html>

information with the Board, and it is the Company's goal to prompt collaboration by providing opportunities for the two bodies to communicate.

3. The Company bears all expenses related to training for directors and Audit & Supervisory Board members.

■ Analysis and Evaluation of the Board of Directors' Effectiveness

In a move to enhance corporate governance, we have established the Advisory Council as an advisory body to the Board of Directors. This council comprises representative directors, full-time Audit & Supervisory Board Members, outside directors, and outside Audit & Supervisory Board Members. A wide range of matters related to the Board of Directors is discussed at council meetings, which includes analyses and evaluations of the effectiveness of the Board of Directors, with suggestions on how to make improvements in this regard. Measures for addressing any issues identified are formulated and implemented to pursue ongoing improvements in effectiveness.

Summary of the Evaluation of the Board of Directors for Fiscal 2019

- By receiving reports on the operational status of each business division directly from each business division head, the Board of Directors was able to deepen its understanding of the entire Company, each individual business division, and each business, demonstrating that the Board of Directors' effectiveness increased compared with the previous fiscal year's evaluation.
- The Board of Directors must respond in keeping with the trend toward digitizing materials.

We will continue to work to improve the effectiveness of the Board of Directors based on the evaluation above.

■ Duties and Responsibilities of the Audit & Supervisory Board

The Audit & Supervisory Board, with the cooperation of the Board of Directors, functions as an independent supervisory body overseeing management. As part of this responsibility, and to contribute toward building an organizational structure that will lead to sound, long-term development, the Audit & Supervisory Board performs audits to ensure that the Board of Directors does not engage in any unfair practices or violate any laws, regulations, or the Company's Articles of Incorporation.

■ Enhancement of Internal Audits

The Company's Internal Audit Department consists of a Tokyo location and a Boston location with 31 staff members—six of whom are non-Japanese internal auditors on the Boston team—operating along four lines. This department conducts audits in light of the full-scale operations of the Group's business division system as well as the strengthening of global consolidated management. The New Medium-term Internal Audit Plan, beginning in fiscal 2020, puts forth basic policies aimed at enhancing audit effectiveness, strengthening check functions pertaining to the internal control system, and providing audit services that support the achievement of management goals.

- Promote effective and efficient audits and audits aimed at proposing reforms based on risk assessments in each business area
- Improve the Group's internal audit function and build a foundation for integrated management

Specifically, we will work to further improve audit quality in the following ways.

- Strengthening of interconnectivity between three types of audits (internal audits, audits by corporate auditors, and audits by audit corporations) that go beyond just sharing information
- Development of a three-line defense system by strengthening ties with the Internal Control Department, a two-line system, or by other means
- Continued improvements in internal audit quality through internal evaluations and by introducing objective quality evaluations by external organizations

■ Revision and Verification of Policy for Cross-Shareholdings

The Company engages in cross-shareholdings with other listed companies for purposes such as building stable, long-term relationships with business partners, promoting sales, or strengthening relationships based on capital or work-related alliances, and it maintains these holdings under a policy of emphasizing medium-to-long-term improvements in its corporate value. When a holding is deemed inappropriate based on this policy, the Company will proceed with sales negotiations and conduct sales as needed. Each fiscal year, the Board of Directors verifies the appropriateness of each individual holding. The main criteria for this verification include quantitative evaluations based on capital cost, business activities post-acquisition of shares, and future business possibilities.

Compensation System for Directors

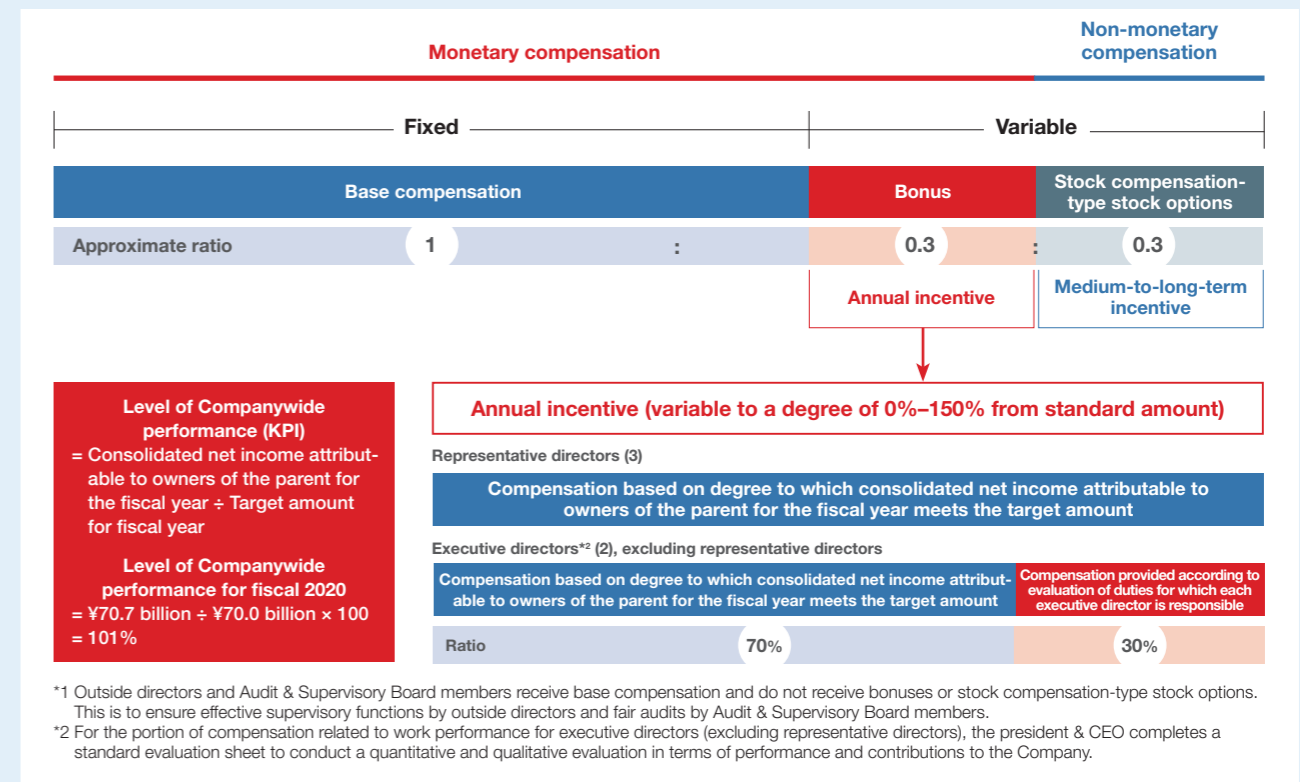
■ Basic Policy

Compensation is established as an incentive to directors to increase corporate value by executing the Company's business strategy. The level of compensation is determined in accordance with the role and responsibilities of each directors in terms of their ability to increase medium-to-long-term corporate value and improve short-term performance, and is also determined relative to market levels.

■ Compensation System for Directors

In principle, compensation for directors (excluding outside directors; see below) is composed of base compensation (fixed compensation), annual incentive compensation (performance-linked compensation) and medium-to-long-term incentive compensation. Annual incentive compensation is provided as a monetary bonus, whereas medium-to-long-term incentive compensation is provided in the form of stock compensation-type stock options.

■ Compensation System for Directors*1



■ Method for Determining Compensation

Compensation policies are explained to the Advisory Council, whose members provide advice prior to deliberation by the Board of Directors in order to ensure procedures regarding directors compensation are transparent and objective.

Decisions regarding specific base compensation amounts, bonuses, and non-monetary compensation,* such as company housing, are left to the president & CEO, provided they are within the upper limit determined at the General Shareholders' Meeting. Individual compensation amounts are then reported

to and verified by the Advisory Council. Furthermore, the Board of Directors determines the number of stock acquisition rights granted to each director as part of each director's stock compensation-type stock options.

* The difference between the total monthly rent amount required for the Company to rent company housing and the total monthly housing fees collected from directors

■ Total Compensation Amounts by Director Type, Compensation Type, and Number of Eligible Directors

Director type	Total compensation amount (millions of yen)	Total compensation by type (millions of yen)				Number of eligible officers
		Fixed compensation (base compensation)	Performance-linked compensation (bonuses)	Stock options	Other	
Directors (excluding outside directors)	322	199	57	61	3	6
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	65	65	–	–	–	4
Outside directors	81	81	–	–	–	10

Note 1. "Other" refers to company housing provided as non-monetary compensation.

Note 2. In addition to the above items, the retirement benefit system for directors was abolished upon the conclusion of the General Shareholders' Meeting on June 26, 2009. Directors who remained in their positions at the conclusion of the meeting, including directors retiring as members of the Board of Directors to serve as executive officers, and Audit & Supervisory Board members were entitled to benefits for time served under the system until the time of its abolition, to be presented upon retirement. Based on this decision, ¥1 million was paid to a retiring outside corporate auditor for which a provision was recorded under allowance for retirement benefits for directors in the previous fiscal year.

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Directors, Audit & Supervisory Board Members, and Executive Officers (As of June 24, 2020)

Directors



Tadashi Shiraishi

Chairman (Representative Director)

1975.4 Joined The Tokai Bank, Ltd.
 2009.5 Senior Managing Executive Officer and General Manager, Corporate Banking Group No. 2 of The Bank of Tokyo-Mitsubishi UFJ, Ltd.
 2010.6 Deputy President of Mitsubishi UFJ Lease & Finance Company Limited (the Company)
 Concurrently served as Executive Officer of the Company
 2012.6 President & CEO of the Company
 2017.6 Chairman of the Company (incumbent)



Takahiro Yanai*

President & CEO (Representative Director)

1982.4 Joined The Mitsubishi Bank, Ltd.
 2012.5 Managing Executive Officer of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU)
 Managing Officer of Mitsubishi UFJ Financial Group, Inc. (MUFG)
 2015.6 Managing Director of BTMU
 Managing Executive Officer of MUFG
 2016.5 Senior Managing Executive Officer of BTMU
 2017.6 President & CEO of Mitsubishi UFJ Lease & Finance Company Limited (the Company) (incumbent)
 Concurrently serves as Executive Officer of the Company (incumbent)



Teruyuki Minoura

Outside Director (Independent Director)

1967.4 Joined Toyota Motor Co., Ltd.
 2003.6 Senior Managing Director, Member of the Board of Directors of Toyota Motor Corporation
 2004.6 Executive Vice President of Daihatsu Motor Co., Ltd. (Daihatsu)
 2005.6 President of Daihatsu
 2010.6 Chairman of TOYOTA BOSHOKU CORPORATION (TOYOTA BOSHOKU)
 2012.6 Senior Advisor to the Board of TOYOTA BOSHOKU
 2013.6 Director of Mitsubishi UFJ Lease & Finance Company Limited (incumbent)



Toshio Haigou

Outside Director (Independent Director)

1981.4 Joined the Nagoya Railroad Co., Ltd. (Nagoya Railroad)
 2008.7 General Manager in charge of Supervision No. 1, Affiliated Business Department of Nagoya Railroad
 2012.6 Director of Nagoya Railroad
 2012.7 General Manager, Business Planning Department of Nagoya Railroad
 2014.6 Managing Director of Nagoya Railroad
 Director of Mitsubishi UFJ Lease & Finance Company Limited (incumbent)
 2016.6 Senior Managing Director of Nagoya Railroad Division
 Director, Group Control HQ of Nagoya Railroad
 2018.6 Executive Vice-President of Nagoya Railroad
 2019.6 Representative Director & Executive Vice President of Nagoya Railroad (incumbent)



Toshimitsu Urabe*

Deputy President (Representative Director)

1978.4 Joined Mitsubishi Corporation
 2009.4 Senior Vice President and Deputy Chief Representative for China of Mitsubishi Corporation, and President of Mitsubishi Corporation (Hong Kong) Limited
 2011.4 Senior Vice President and Senior Assistant to Senior Executive Vice President, Human Resources of Mitsubishi Corporation
 2013.4 Executive Vice President, Group CEO, Business Service Group of Mitsubishi Corporation
 2017.4 Advisor of Mitsubishi Corporation
 2017.6 Deputy President of Mitsubishi UFJ Lease & Finance Company Limited (the Company) (incumbent)
 Concurrently serves as an Executive Officer of the Company (incumbent)
 2019.6 Outside Director, ADVANTEST CORPORATION (incumbent)
 General Operations (Current responsibility)



Tsuyoshi Nonoguchi*

Senior Managing Director

1984.4 Joined The Mitsubishi Bank, Ltd.
 2011.6 Executive Officer and General Manager, Corporate Banking Business Promotion Division of The Bank of Tokyo-Mitsubishi UFJ, Ltd.
 2012.6 Deputy General Manager, Credit Supervision Department No. 1 of Mitsubishi UFJ Lease & Finance Company Limited (the Company)
 Managing Executive Officer of the Company
 2013.6 Managing Director of the Company
 Concurrently serves as an Executive Officer of the Company (incumbent)
 2016.6 Senior Managing Director of the Company (incumbent)
 2018.6 Outside Director of Hitachi Capital Corporation
 In charge of Corporate Center (Current responsibility)



Mitsumasa Icho

Outside Director

1982.4 Joined Mitsubishi Corporation
 2012.4 General Manager, Machinery Group Administration Department of Mitsubishi Corporation
 2014.4 Senior Vice President and General Manager, Risk Management Department of Mitsubishi Corporation
 2017.4 Senior Vice President and General Manager, Business Investment Management Department of Mitsubishi Corporation
 2018.1 Executive Vice President, Corporate Functional Officer, Regional Strategy for Japan, General Manager of Kansai Branch of Mitsubishi Corporation
 2018.6 Representative Director, Executive Vice President of Mitsubishi Corporation
 2019.4 Director, Executive Vice President and Group CEO, Urban Development Group of Mitsubishi Corporation
 2019.6 Executive Vice President and Group CEO, Urban Development Group of Mitsubishi Corporation (incumbent)
 Director of Mitsubishi UFJ Lease & Finance Company Limited (incumbent)



Naomi Hayashi

Outside Director

1987.4 Joined The Mitsubishi Bank, Ltd.
 2013.6 Executive Officer of Mitsubishi UFJ Financial Group, Inc. (MUFG)
 Executive Officer and General Manager, Corporate Business Planning Division and General Manager, Electronically Recorded Monetary Receivables Strategy Office of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU)
 2015.7 Executive Officer and General Manager, Corporate Planning Division of BTMU
 2017.1 Managing Executive Officer of BTMU
 2018.4 Managing Executive Officer of MUFG Bank, Ltd.
 2018.5 Managing Corporate Executive & Group CSO of MUFG (incumbent)
 Managing Executive Officer & CSO of MUFG Bank, Ltd.
 2018.6 Member of the Board of Directors, Managing Executive Officer (Representative Director) & CSO of MUFG Bank, Ltd.
 Director of Mitsubishi UFJ Lease & Finance Company Limited (incumbent)
 2020.4 Member of the Board of Directors, Managing Executive Officer (Representative Director) of MUFG Bank, Ltd. (incumbent)



Yoichi Shimoyama*

Managing Director

1982.4 Joined Mitsubishi Corporation
 2012.4 Senior Vice President and General Manager, Finance Department of Mitsubishi Corporation
 2014.4 Senior Vice President and Deputy Regional CEO, East Asia of Mitsubishi Corporation, and President of Mitsubishi Corporation (Hong Kong) Limited
 2017.4 Advisor of Mitsubishi Corporation
 2017.6 Managing Executive Officer of Mitsubishi UFJ Lease & Finance Company Limited (the Company)
 2018.6 Managing Director of the Company (incumbent)
 Concurrently serves as Executive Officer of the Company (incumbent)
 In charge of Corporate Center (Current responsibility)

* Indicates concurrent posts of director and executive officer

Strengthening of Governance to Improve Corporate Value over the Medium-to-Long Term

Audit & Supervisory Board Members



Naohito Suzuki

Audit & Supervisory Board Member

1983.4 Joined Diamond Lease Company Limited
 2009.4 General Manager, Information System Department of Mitsubishi UFJ Lease & Finance Company Limited (the Company)
 2013.6 Executive Officer and General Manager, Information System Department of the Company
 2015.5 Managing Executive Officer of the Company
 2016.6 Audit & Supervisory Board Member of the Company (incumbent)



Shuji Miake

Audit & Supervisory Board Member

1984.4 Joined The Tokai Bank, Ltd.
 2006.3 General Manager, Nerima Branch of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU)
 2008.6 Deputy General Manager, Corporate Banking Business Promotion Division of BTMU (Special Appointment)
 2010.1 General Manager, Yaesudori Commercial Banking Office of BTMU
 2012.5 Superintendent of BTMU
 2012.6 Deputy General Manager, Business Promotion Department of Mitsubishi UFJ Lease & Finance Company Limited (the Company)
 General Manager, Nagoya Business Department No. 1 of the Company
 2014.6 Executive Officer and General Manager, Nagoya Business Department No. 1 of the Company
 2016.5 Managing Executive Officer of the Company
 2019.6 Audit & Supervisory Board Member of the Company (incumbent)

Hiroyasu Nakata Independent Auditor

Outside Audit & Supervisory Board Member

1977.4 Completed the legal apprentice course at the Legal Training and Research Institute of the Supreme Court of Japan
 Admitted to the bar (Daini Tokyo Bar Association) (until March 1990)
 1990.4 Associate Professor at Faculty of Law and Economics, Chiba University
 1993.6 Professor at Faculty of Law and Economics, Chiba University
 1995.4 Professor at Faculty of Law, Hitotsubashi University
 1999.4 Professor of Graduate School of Law, Hitotsubashi University
 2003.4 Trustee of Hitotsubashi University
 2008.4 Professor at The University of Tokyo Graduate Schools for Law and Politics and The University of Tokyo Faculty of Law
 2015.4 Emeritus Professor of Hitotsubashi University
 2017.4 Professor at Waseda Law School (incumbent)
 2017.6 Emeritus Professor of The University of Tokyo
 2018.6 Audit & Supervisory Board Member of Mitsubishi UFJ Lease & Finance Company Limited (incumbent)



Hiroshi Minagawa

Outside Audit & Supervisory Board Member

1981.4 Joined The Mitsubishi Trust and Banking Corporation
 2011.6 Executive Officer of Mitsubishi UFJ Trust and Banking Corporation
 2013.6 Managing Director of The Master Trust Bank of Japan, Ltd.
 2014.6 Corporate Auditor of Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
 2016.6 Chairman of Mitsubishi UFJ Trust investment Technology Institute Co., Ltd.
 2017.4 President & CEO of RYOSHIN URBAN DEVELOPMENT CO., LTD.
 2017.6 Audit & Supervisory Board Member of Mitsubishi UFJ Lease & Finance Company Limited (incumbent)



Naoki Matsumuro

Audit & Supervisory Board Member

1984.4 Joined Central Leasing Co., Ltd.
 2012.5 General Manager, Osaka Business Department No. 3 of Mitsubishi UFJ Lease & Finance Company Limited (the Company)
 2013.5 Deputy General Manager, Corporate & Strategic Planning Department of the Company
 2014.5 General Manager, Risk Management Department of the Company
 2014.6 Executive Officer and General Manager, Risk Management Department of the Company
 2017.5 Managing Executive Officer of the Company
 2018.6 Audit & Supervisory Board Member of the Company (incumbent)

Hiroko Kaneko Independent Auditor

Outside Audit & Supervisory Board Member

1980.4 Joined The Sapporo Television Broadcasting Co., Ltd.
 1989.10 Joined Ota Showa Audit Corporation
 (currently ERNST & YOUNG SHINNIHON LLC)
 1993.2 Registered as a certified public accountant
 2007.5 Partner of ERNST & YOUNG SHINNIHON LLC
 2010.7 Senior Partner of ERNST & YOUNG SHINNIHON LLC
 2018.4 Professor at Waseda Graduate School of Accountancy (incumbent)
 2018.6 Audit & Supervisory Board Member of The Shoko Chukin Bank, Ltd. (incumbent)
 2019.6 Director of Kanagawa Chuo Kotsu Co., Ltd. (incumbent)
 2020.6 Audit & Supervisory Board Member of Mitsubishi UFJ Lease & Finance Company Limited (incumbent)

Executive Officers

Senior Managing Executive Officer Kenji Yasuno

Managing Executive Officers

Koji Nemoto	Masaki Mizutani
Masaki Komoro	Osamu Muramoto
Hiroaki Odajima	Kunihiro Sawada
Hironori Shiozawa	Kazuhiko Takeuchi
Hiroshi Mii	Takeo Nakai
Hiroshi Nishikita	Yukio Maruyama
Masashi Nakano	Yasuyuki Hirota
Yasushi Okahisa	

Executive Officers

Osamu Tominaga	Ko Nishimura
Yoshiaki Kajii	Katsuya Kitahara
Yuji Suzuki	Kazuyuki Kodo
Susumu Nozaki	Itsuo Wakao
Toshio Oka	Isao Someya
Tsutomu Kugasa	Masaru Koike
Shuji Matsuo	Takashi Yamaguchi
Hidekazu Tanaka	Keigo Nakamura
Masao Kaneko	Takeshi Kogamo
Toru Fukuyama	

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Risk Management System Overview

The Mitsubishi UFJ Lease & Finance Group has established an appropriate system to manage risks, through which we strive to prevent risks from emerging or to minimize their impact if they do occur.

To manage these envisaged risk factors, we operate a system that ensures a grasp of issues arising from developments in the external environment or other changes and which entails regular consideration of measures to be taken. The system also requires prompt reporting to the Management Committee, a consultative and decision-making body that controls the execution of business. Specifically, in addition to the various committees dealing with individual risk categories—the Asset Liability Management (ALM) Committee, the Compliance Committee, and others—we operate a Risk Management Committee to undertake comprehensive and systematic management of risks affecting all operational areas. At the meetings of each of these committees, which are held quarterly and otherwise as necessary, the responsible divisions make detailed reports on risk conditions and discuss response strategies and other relevant measures. Reports are made to the Management Committee, and then to the Board of Directors for deliberation.

Integrated Risk Management

To realize sustainable growth by maintaining sound financial management and improving profitability, the Company is conducting business operations that incorporate a framework to manage integrated risks. Important risks managed under the integrated this framework include credit risk, asset risk, investment risk, market risk, liquidity risk, operational risk, and others, with risk management performed on a consolidated basis.

Specifically, we have in place a structure for allocating risk capital to each risk category based on the Risk Capital Management Policy and after quantifying each risk through risk assessment methods applicable to the characteristics of

each asset and business. This structure also enables rational risk-taking within a tolerable range.

As part of this framework, the Company regularly monitors the status of risk capital use and asset portfolios. This status is reported to the Risk Management Committee and the Management Committee as well as to the Board of Directors, all of which deliberate upon the matters presented to construct an appropriate response and facilitate enhanced internal communication related to risks. The Board of Directors maintains an understanding and supervises the risk management system and keeps watch over its status.

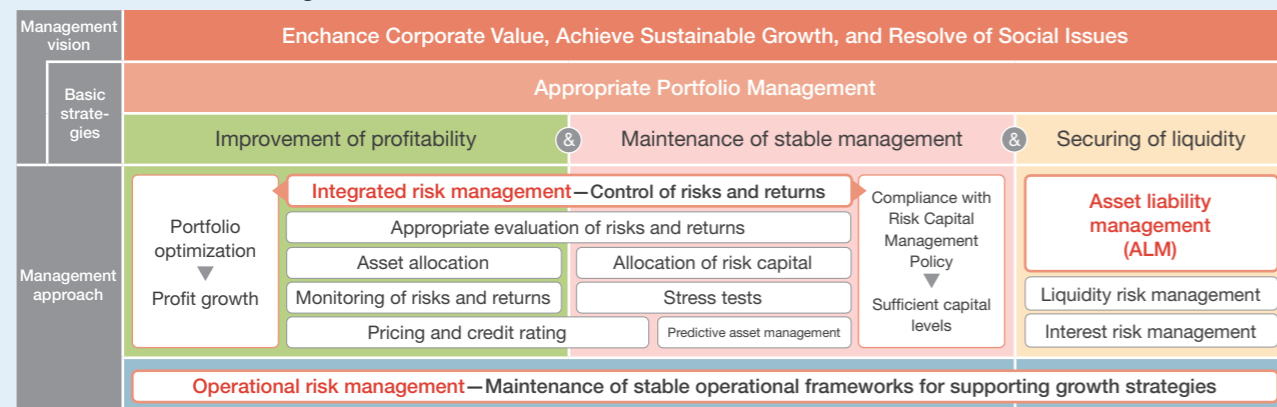
Stress Tests

When executing its business strategy, the Groups strives to gauge the degree of impact of stress periods in terms of various risk-related events, such as economic decline, market fluctuations, and the deterioration of various market conditions and assess how they may affect its business operations.

In addition to such scenarios as the worsening of the entire global economy, the Company specifically establishes multiple potential high-stress scenarios, such as fluctuating market conditions and deteriorating credit in each business field and emergence of large-scale concentration of risks. We analyze and verify the impact of each scenario on our profitability and capital for each fiscal period.

These multifaceted verifications allow the Company to confirm its risk resilience and ensure that the risk–return of its current management plan does not exceed tolerable levels.

Overview of Risk Management Framework



Major Risks and Management Systems

Risk Category	Nature of Risk	Primary Management Systems	Responsible Department(s)
Credit Risk	The Mitsubishi UFJ Lease & Finance Group conducts business that extends credit over the medium-to-long term through leases, installment sales, monetary lending, and other forms. Depending on future business trends and the financial landscape, additional provisions of allowance for doubtful receivables could be necessary with increasing non-performing loans due to the deterioration of a company's credit status, which could impact the Group's business results. Moreover, due to the fact that we operate businesses globally, we bear the risk of incurring losses based on the political and economic conditions in the countries and regions where we operate businesses or engage in investments.	<ul style="list-style-type: none"> The Group makes a comprehensive study in light of the customer's credit standing and country risk as well as factors such as the value of the leased property. The Group checks the credit standing of customers on an ongoing basis even after entering into business relations. The Group endeavors to take risk diversification into account in credit management for its portfolio overall so as to not concentrate credit in particular customers, industry sectors, countries, or regions. The Group engages in periodic monitoring to quantitatively measure the risk of its portfolio. 	Credit Department International Credit Department
Asset Risk	Global Assets The Mitsubishi UFJ Lease & Finance Group holds global assets such as aircraft, aircraft engines, ships, containers, and railcars and conducts a business leasing these assets. In addition to the aforementioned credit risk, the Group must bear the risk of price fluctuations of these assets. The Group collects funds through leasing fees received from customers, and from asset sales after a lease expires. In cases where a customer goes bankrupt, the Group will withdraw the asset and lease it to another customer, and sell the asset to recover funds. Fluctuations in the selling price of an asset due to economic trends and market conditions, impairment losses, increased costs associated with property management, or other factors may affect business results.	<ul style="list-style-type: none"> The Group conducts a comprehensive study that includes items relevant to movable property to be confirmed at the time of transaction, future asset liquidity, and other factors. The Group checks industry trends as well as the credit standing of customers on an ongoing basis even after entering into business relations. The Group sets and employs investment criteria to maintain a portfolio that accounts for risk diversification, including target models, regions, and times of expiration. The Group holds regular predictive management meetings to investigate indications of asset value fluctuations or trends in a target industry. The Group engages in periodic monitoring to quantitatively measure customers' credit risk and price fluctuations in the value of assets in its portfolio. 	Risk Management Department Asset Management Department Each Business Division
	Real Estate The Mitsubishi UFJ Lease & Finance Group engages in the investing, lending, and leasing of offices, residences, commercial facilities, logistics facilities, hotels, and other commercial real estate. These assets are subject to risks related to income and price fluctuations. In addition to collecting rental fees from tenants, the Group collects funds from selling assets when appropriate. Income from rent and asset sales may fluctuate according to market conditions, which may affect business results.	<ul style="list-style-type: none"> The Group makes a comprehensive judgment after carefully assessing future asset value and liquidity. The Group conducts ongoing checks of the operational status of its assets and both price and industry trends even after transactions are made. The Group holds regular predictive management meetings to investigate indications of asset value fluctuations or industry trends. The Group engages in periodic monitoring to quantitatively measure price fluctuations in the value of assets in its portfolio. 	
Investment Risk	The Mitsubishi UFJ Lease & Finance Group is engaged in investment activities that include investment, lending, and financing for projects in a variety of businesses. These investment activities are subject to numerous risks, including changes in the business environment, profits that do not meet expectations, low possibility of recouping investment amounts, a drop in the stock price of an investee below a certain level, that said stock price drop will stay low because of changing economic or financial conditions, that some or all of an investment may be lost, or that extra funding may be required. Other risks include the possibility that the Group will be unable to withdraw from or reorganize a business within the ideal time frame or via optimal methods, or that a lack of appropriate information from the investee could lead to unprofitability. These risks and others could affect business results.	<ul style="list-style-type: none"> The Group holds investment council meetings according to the investment amount of and risks related to individual projects. The Group makes a comprehensive judgment after carefully assessing the future value of the investment and its liquidity. The Group conducts ongoing checks of the operational status of its assets and industry trends even after transactions are made. The Group engages in periodic monitoring to quantitatively measure risks pertaining to fluctuations in the value of investments in its portfolio. 	Investment Management Department Each Business Division
Market Risk	Interest Rate Fluctuations The fees for leases and installment sales conducted by the Mitsubishi UFJ Lease & Finance Group are set based on the purchase price for the transacted property and the market interest rates at the time of finalizing a contract and do not fluctuate during the contract term as a general rule. Acquisition funds for the leased property, on the other hand, are procured via a balance of fixed interest rates and variable interest rates, and the cost of capital is affected by fluctuations in the market interest rate. Should the market interest rate rise precipitously, it could impact the Group's business results and financial position.	<ul style="list-style-type: none"> The Group takes part in asset liability management (ALM) to keep constant watch for any imbalances in the form of interest rates or exchange rates for asset management and for procurement of funds. The Group manages interest rate fluctuation risks through appropriate hedge operations while taking interest rate movements and other factors into account. As a general rule, the Group raises funds in the currency matching that of an operating asset to mitigate risk of foreign exchange rate fluctuations and works to minimize valuation gains and losses from foreign exchange. The Group engages in periodic monitoring to quantitatively measure to what extent and the likelihood that its portfolio may incur a loss over a certain period of time. The ALM Committee meets quarterly or as necessary. 	Treasury Department
	Exchange Rate Fluctuations The Mitsubishi UFJ Lease & Finance Group actively conducts business outside Japan, and assets in foreign currencies are increasing. In principle, overseas consolidated subsidiaries raise funds in the same currency as their assets. Since these companies record their financial statements in their local currency, fluctuations in exchange rates may affect business results when converted to Japanese yen.		

Strengthening of Governance to Improve Corporate Value over the Medium-to-Long Term

Major Risks and Management Systems

Risk Category	Nature of Risk	Primary Management Systems	Responsible Department(s)
Liquidity Risk	The Mitsubishi UFJ Lease & Finance Group procures large amounts of funds when conducting business such as monetary lending and the acquisition and installment sales of properties for leasing. Should financial institutions and investors become more risk averse as a result of a free fall in economic and financial conditions or a decline in the Group's creditworthiness, the Group may experience difficulty in procuring funds, which could impact its business results.	<ul style="list-style-type: none"> The Group tries to ensure the liquidity of funds through efforts to diversify by procuring funds via corporate bonds, commercial papers, and liquidation of lease receivables, in addition to borrowing from financial institutions. The Group ensures the liquidity of funds by implementing measures to supplement liquidity during emergencies, which includes the acquisition of commitment lines. The Group manages the liquidity of its funds in stages and confirms their liquid status to ensure that required funds can be secured even amid poor procurement conditions. 	Treasury Department
Risk Related to Expansion of Operating Base, Strategic Partnerships, and M&As, etc.	In pursuit of continuous growth through expansion of its operating base, the Mitsubishi UFJ Lease & Finance Group engages in strategic partnerships with outside entities and tries to diversify and expand business through M&As, in addition to expanding business on its own, and conducts these activities both domestically and overseas. However, changes in domestic or global economic and financial conditions, intensification of competition, changes in the business environment or strategy of partners, revision of relevant legislation or other systems, and other factors could cause a failure to achieve expected results or necessitate the recording of additional expenses. Such a situation could impact the Group's business results.	<ul style="list-style-type: none"> The Group considers the investment amount of each individual project and the degree of risk, and applicable departments conduct an examination in this regard. In addition, outside experts are appointed as well so as to make a comprehensive judgment on the future impact of an investment from a wide perspective. After execution of an M&A project, the rules and regulations of the Group are applied and a system for appropriate operations is established. The Group sets up a system to monitor business plans and performance in order to take necessary actions in a timely manner. 	Each Related Department
Operational Risk	Damage from Earthquakes, Wind, Floods, Disease, Terrorism, etc.	<ul style="list-style-type: none"> The Group maintains a plan to establish a response headquarters in case of a crisis. The Group has formulated a business continuity plan (BCP). The Group has taken resiliency measures for key systems. The Group has established infrastructure to support teleworking for business continuity. The Group will limit work to essential duties and employ alternating shifts. 	Risk Management Department General Affairs Department Information Systems Department Legal & Compliance Department
	Information Systems	<ul style="list-style-type: none"> The Group has installed and operates a robust maintenance management system used with cooperating companies. The Group promptly coordinates information and initiates a response when system failure occurs. The Group has built a series of response systems, which include formulating and implementing measures to prevent recurrence. The Group has its own Group-based IT control system. 	Corporate Communications Department
	Cyber Security, Information Security	<ul style="list-style-type: none"> The Group has established the MUL Computer Security Incident Response Team (MUL-CSIRT). The Group employs management systems that update software to the latest version, detects cyberattacks from the outside, and prevents problems before they can occur. The Group implements incident training in cooperation with internal and external parties. The Group continuously implements in-house training for all employees related to target e-mail attacks and information security. 	
	Compliance	<ul style="list-style-type: none"> The Group provides ongoing compliance-related training. The Group employs preventive measures to combat money laundering, terrorist financing, and fraud. 	
	System Changes and Revisions	<ul style="list-style-type: none"> The Group maintains constant monitoring of relevant systems for changes or revisions. Group monitoring is supported by making active use of outside experts. The Group works to gather information in advance on changes and revisions to relevant systems and enacts measures in response. 	
	Operations	<ul style="list-style-type: none"> The Group sets administrative rules for each transaction and duties are performed in accordance with those rules. The Group revises rules as necessary. The Group has constructed a system for when an incident occurs that involves reporting the incident and formulating a response in a prompt manner, and identifying the cause and putting measures in place to prevent recurrence. 	

Compliance / Internal Control

Legal and Compliance Management System Check Sheet

As the Mitsubishi UFJ Lease & Finance Group expands its business domains to a variety of fields beyond leasing and finance, the need for a more sophisticated Groupwide compliance and risk management system is increasing.

The Group prepares and uses a Compliance and Risk Map and a System Management Check Sheet with the goal of enhancing its compliance and risk management system on a Groupwide basis. We confirm the level and status of compliance education systems at both the Group and Group company levels. We also continuously monitor each Group company, keeping a close eye on risk areas based on each company's specific operations. Through these actions, we are committed to the early detection of risks that can have a major impact on the Group and its business operations.

Examples of Checked Items

- Compliance education system
- Whistleblowing system
- System for confirming documents at time of composition
- Management of outsourced contracts
- System for dealing with various industry laws
- Initiatives to improve in-house work culture
- Personnel and labor management system

Improvement of Compliance Awareness among Employees

Each Group employee receives level-based training and is subject to a self-check process based on e-learning, while the Group issues publications featuring compliance-related news and collections of specific case studies in order to improve employees' compliance awareness.

Compliance Hotline (Whistleblowing System)

In order to facilitate earlier risk or problem detection and resolution and to improve compliance management, the Group has established a Compliance Hotline. This hotline allows corporate officers and employees who suspect or are aware of compliance violations to report or seek consultation. Contact information for each consultation desk of the hotline is provided via contact cards and the Group's intranet system.

Group Compliance Hotline Consultation and Reporting Desks

- Head, or person assigned by head of the Legal & Compliance Department
- Outside lawyer
- Full-time auditor
- Workplace helpline (domestic)*
- Support center (overseas)*

* In addition to existing consultation desks, Mitsubishi UFJ Lease & Finance established a Groupwide consultation desk in 2017, in response to the guidelines for private-sector companies in implementing and operating whistleblower systems based on the Whistleblower Protection Act. We hope that by utilizing an external contractor for this desk and facilitating anonymous reporting and consultation, we can encourage whistleblowers to use this desk with fewer psychological barriers.

Basic Policy on Anti-Corruption

The Group abides by all relevant anti-corruption laws and regulations of each country or region in which it conducts business. To prohibit any transactions that would give rise to public suspicion and mistrust, the Group formulated and announced its Basic Anti-Corruption Policy in 2018.

In addition, all officers and employees of the Mitsubishi UFJ Lease & Finance Group shall:

- not engage in corruption of any form, including money laundering, embezzlement, and obstruction of justice;
- fully understand applicable laws and regulations, and shall not provide any entertainment or gifts that give rise to public suspicion or mistrust, or provide money or any other benefit to gain an improper advantage, to any national or foreign public official or any person similar thereto;
- not provide or receive any entertainment or gifts from business partners or the like, which deviates from common sense or fair business practice; and
- not make any request to receive personal benefits from business partners or the like by utilizing their position/authority at his or her company.

Initiatives on Internal Control

To ensure the appropriate conduct of operations, Mitsubishi UFJ Lease & Finance works to continuously enhance and strengthen the internal control system. Each year, we review and expand the range of operations covered by the system. The relevant corporate departments, branches, and domestic and overseas Group companies report on the implementation status of internal control to the Accounting Department. Following an audit by the Internal Audit Department, this department presents an internal control implementation plan and a report evaluating the effectiveness of internal control to the Disclosure Committee on a quarterly basis. These documents are also submitted to the accounting auditor. Additionally, employees receive a copy of the Internal Controls Handbook to ensure full compliance with the standards of behavior under the internal control system.

Action on Information Security

In the area of information management, we have put in place a set of information security management rules and produce a range of manuals. Together, these regulate areas including the use, management, and disposal of information, creating a strict security system. We also recognize that it is our social responsibility to handle customers' personal information appropriately, and we have established a personal information protection policy as part of measures to ensure stringent control.

We also hold regular information security audits and carry out awareness checks on all corporate officers and employees.

Note: On this page, "corporate officers and employees" refers to corporate officers, full-time employees, contract employees, dispatched employees, and other individuals involved in the operations of the Company.