

Last Update: June 24, 2020

Mitsubishi UFJ Lease & Finance Company Limited

President & CEO Takahiro Yanai

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Securities Code: 8593

<https://www.lf.mufg.jp/english/index.html>

The corporate governance of Mitsubishi UFJ Lease & Finance Company Limited (the “Company”) is described below.

I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

For the Company’s basic views on corporate governance, please refer to Principle 3.1 (ii) of “Disclosure Based on the Principles of the Corporate Governance Code.”

[Reasons for Non-compliance with the Principles of the Corporate Governance Code] Updated

Supplementary Principle 4.1.3

CEO succession plan

Appropriate successor candidates for President, including invitation of outside personnel, are selected by taking into account factors such as detailed knowledge of the financial business, professional reputation and integrity, and ability to make objective judgments regarding management. The Board of Directors, including Outside Directors, holds thorough deliberations based on the proposal made by the current President, which is then proposed at the General Meeting of Shareholders. A total of four out of nine, meaning more than one-third, of our Directors are Outside Directors.

Supplementary Principle 4.10.1

Establishment of an independent advisory committee, under the Board on nominations and compensation

Regarding the nomination of the President & CEO and the compensation for Directors, explanations are provided and advice is offered in advance at the Advisory Council attended by Representative Directors, Outside Directors, and Outside Audit & Supervisory Board Members.

The nomination of candidates for Directors and Audit & Supervisory Board Members, as well as the election of Executive Officers, are decided by the Board of Directors based on selection standards determined by the Board,

while compensation is determined by the Board of Directors based on the policy explained to the Outside Directors and Outside Audit & Supervisory Board Members at the Advisory Council.

The Company's Board of Directors consists of an appropriate number of members, including an adequate proportion of Outside Directors and Audit & Supervisory Board Members. The Board conducts necessary and thorough discussions with the appropriate involvement and advice of Outside Directors and Audit & Supervisory Board Members, including Independent Outside Directors. As such, it is our view that the Board of Directors is functioning properly under the current system.

Principle 4.11

Preconditions for ensuring the effectiveness of the Board of Directors and the Audit & Supervisory Board

The Company's policy for nominating candidates to serve as Directors is to elect personnel who are deemed to possess sufficient qualifications to serve as Directors of the Company, based on the selection standards, from the standpoint of knowledge, experience, and ability, regardless of gender, nationality, and other traits. Although the Company does not currently have female or foreign Directors, the Company has elected one new female Audit & Supervisory Board Member. In order to confirm the appropriateness of business execution as well as to monitor and confirm the management supervision function of the Board of Directors, Audit & Supervisory Board Members attend meetings of the Board of Directors and state their opinions as necessary. In addition, the Company has elected several Directors who possess a wealth of international business experience.

The Company will continue to consider taking actions based on recognition that gender diversity is an important management issue.

The Company's Board of Directors consists of Directors from a variety of business categories and industries, such as finance companies, trading companies, and manufacturers, and has an appropriate number of members to ensure such diversity. Each Director is expected to fully demonstrate his skills and abilities backed by each individual's experience, and to implement management supervision by utilizing his deep insight from a variety of perspectives.

Audit & Supervisory Board Member Mr. Hiroyasu Nakata, who has worked as an attorney-at-law and is currently a professor at Waseda Law School, has considerable knowledge regarding legal affairs. In addition, Audit & Supervisory Board Member Ms. Hiroko Kaneko, who has been involved in accounting audits for many years as a certified public accountant and is currently a professor at Waseda Graduate School of Accountancy, has considerable knowledge regarding finance and accounting.

Audit & Supervisory Board Members Mr. Naohito Suzuki, Mr. Shuji Miake, Mr. Naoki Matsumuro, and Mr. Hiroshi Minagawa have each been engaged in the duties of companies operating financial businesses for many years, and possess abundant knowledge regarding finance and accounting. Each of the Company's Audit & Supervisory Board Members also possesses deep insight regarding the financial business. As such, the Company has also developed a system to thoroughly ensure the effectiveness of accounting audits.

[Disclosure Based on the Principles of the Corporate Governance Code] Updated

Principle 1.4

Strategic shareholdings (policy of reduction, individual verification, and establishment of standards for exercising voting rights)

Under the corporate policy for enhancing its corporate value, the Company holds listed shares (strategic shareholdings) for purposes other than pure investment (targeting gains primarily through fluctuations in the value of shares and the receipt of dividends), with a view toward developing stable and long-term relationships with business partners and promoting business, along with strengthening such relationships based on capital/business alliances.

In its strategic shareholding practice, the Company's basic policy is to sell such strategic shares that are judged no longer reasonable to hold.

Determination of the rationality of strategic shareholdings is based mainly on the following verification factors:

- (i) A quantitative evaluation based on factors including the size of business transactions/profit, dividends received, and capital costs;
- (ii) The history of business activities to date; and,
- (iii) Potential business opportunities in the future.

The Board of Directors verifies the rationality of strategic shareholdings effectively by adjusting the focus on each of the items above for each investee in accordance with the significance of the strategic shareholding and the benefits expected therefrom.

Following this verification, strategic shares that are judged no longer reasonable to hold shall be subject to the process for sales negotiations, and shall be sold from time to time.

The Board of Directors engaged in the process of verification of the adequacy of retaining strategic shareholdings of each such stock, as described below, for the fiscal year ending March 31, 2020.

- Continued shareholding of most of the stocks subject to this verification was found to be reasonable.
- It was confirmed that stocks subject to this verification that were judged no longer reasonable to hold would be sold or subject to sales negotiations.

The Company is dealing appropriately with the exercise of the voting rights of strategically held shares, in light of the aforementioned purposes of strategic shareholding (such as the development of stable and long-term relationships with business partners, as well as the promotion of business).

The Company is dealing with the exercise of voting rights that may affect the enhancement of our corporate value over the medium- to long- term, the corporate value of our business partners, or shareholder interests, after verifying the circumstances and the potential impact with particular care. The Company believes that the exercise of voting rights would have a potential impact on the corporate value and the shareholders' interests in the Company, as well as its business partners, insofar as such an exercise of voting rights concerns the following agendas:

- Agenda on the disposal of surplus
- Agenda on the election of directors and auditors
- Agenda on organizational restructuring, etc.

Principle 1.7

Related party transactions

When the Company engages in transactions with its own Directors or Audit & Supervisory Board Members and with major shareholders (i.e., related party transactions), it establishes the following systems and procedures to ensure that such transactions do not harm the interests of the Company or the common interests of the shareholders:

- In the Compliance Manual, which compiles the basic policies for promoting compliance by the Group, clauses have been established that clearly prohibit certain transactions, such as those that constitute conflicts of interest, and to eliminate preferential transactions.
- When a transaction takes place between the Company and its Directors or Audit & Supervisory Board Members, the appropriateness of the terms of the transaction, as well as the method of determination thereof, are deliberated in advance at meetings of the Board of Directors which include Outside Directors before a decision is made.
- In view of the importance of the Company offering credit to major shareholders and to the Company's subsidiaries, when the amount of credit exceeds a certain percentage of total assets, based on the Company's internal rules, the appropriateness of the amount of the credit offering, as well as the method of determination thereof, are deliberated in advance at meetings of the Board of Directors which include Outside Directors before a decision is made regarding such credit offering, as part of the supervision by the Board of Directors.
- Funding from the Company's major shareholders and its subsidiaries is determined and reported at the Board of Directors' and other meetings, in accordance with the decision-making authority set forth in the Company's internal rules.
- The Audit & Supervisory Board Members and the Accounting Auditor audit the status of transactions between parties related to the Company.

Principle 2.6

Roles of corporate pension funds as asset owners

The Company's corporate pension plan defines a policy asset mix of pension assets in order to secure long-term returns, and such assets are managed through appropriately diversified asset allocation, with the aim of ensuring asset management that secures a stable source of benefits in the future.

The Company has established the "Basic Policy Concerning the Management of Pension Assets" to address the management of conflicts of interest between the beneficiaries of the corporate pension plan and the Company, with a view toward maximizing the interests of beneficiaries. In particular, in selecting an asset management institution, a rigorous screening is conducted based on evaluations conducted by an evaluation body through evaluations such as "qualitative evaluation, primarily of business operations, reputation in society, and investment policies (stewardship code, policy on ESG initiatives, etc.)" and "quantitative evaluation, primarily of experience and track record in investment and management." A decision is then made based on the opinions of the Asset Management Committee.

The members of the Asset Management Committee are selected from among persons with experience in corporate pension work. The selected members gain further knowledge by participating in training sessions and seminars conducted by the asset management institution and other organizations.

Principle 3.1 (i)

Business plan/business strategy

The Company has established its Corporate Philosophy and Medium-Term Business Plan, which are disclosed online at the following URLs:

- Corporate Philosophy (<https://www.lf.mufg.jp/english/corporate/idea/index.html>)
- Medium-term Business Strategies
(<https://www.lf.mufg.jp/english/investors/library/pressrelease/pdf/2020031202.pdf>)

Principle 3.1 (ii)

Basic Views on Corporate Governance

<Basic Views>

The Company recognizes that it is one of our social responsibilities to ensure transparent and sound management, while emphasizing initiatives to achieve sustainable corporate growth and a medium- to long-term improvement in corporate value. Respecting the rights and interests of all of our stakeholders—shareholders, customers, local communities, and employees—we work to fulfill the trust they place in us, and aspire to contribute to a more prosperous society. To fulfill these social responsibilities, we engage in continuous initiatives to enhance corporate governance by boosting the activity of the Board of Directors, reinforcing the Audit & Supervisory Board and the internal audit system, ensuring timely and appropriate disclosures of information, improving investor relations (IR), and related activities.

<Basic Policies>

[Ensuring the rights and equality of shareholders]

The Company takes appropriate steps to ensure that the rights of shareholders are secured and can be exercised effectively, including furnishing the necessary environment for the exercise of such rights, and gives consideration to the fair treatment of all shareholders, including minority shareholders and foreign shareholders.

[Appropriate collaboration with all stakeholders]

In accordance with our “Corporate Philosophy,” which guides all of our activities, and the “Mitsubishi UFJ Lease & Finance Group Code of Ethics and Code of Behavior,” which serves as the standard for the decisions and behaviors of all employees, we strive to ensure appropriate collaboration with our various stakeholders, including shareholders, customers, local communities, and employees. In addition, we strive to foster a corporate culture that encourages respect for the diversity of our stakeholders, their rights and perspectives, and sound corporate ethics.

[Appropriate information disclosure and ensuring transparency]

The Company strives to conduct proactive and continuous information disclosure in order to be trusted and properly evaluated by each of its stakeholders. We also establish and appropriately operate internal systems to facilitate the swift and impartial disclosure of accurate information regarding our management policies, business strategies, business activities, financial condition, etc. In addition to the items we are required to disclose pursuant to laws and regulations, we actively and voluntarily disclose non-financial information deemed useful to our stakeholders.

[Responsibilities of the Board of Directors]

All members of the Board of Directors, including Outside Directors, call upon their experience and insight as they engage in free and open discussions, contributing to active proceedings of the meetings of the Board of Directors. In this manner, they adequately fulfill their duties and responsibilities to achieve the sustainable growth of the Company, medium- to long-term improvement of its corporate value, and enhancement of its earnings capacity and capital efficiency in an environment that supports appropriate risk-taking.

[Dialogue with shareholders]

Through events such as financial results briefings and other domestic and overseas investor relations (IR) events, the Company pursues proactive and constructive dialogue with shareholders. We thereby seek to gain understanding from shareholders regarding matters such as the Company's business strategies, while addressing shareholders in an appropriate manner based on an understanding of their perspectives.

Principle 3.1 (iii)

Policies and procedures for determining compensation

Please refer to II 1. "Disclosure of Policy on Determining Compensation Amounts and Calculation Methods" in "Compensation for Directors" of this report.

Principle 3.1 (iv)

Policies and procedures for appointment/dismissal

The President & CEO proposes candidates to serve as Directors and Executive Officers to the Board of Directors by comprehensively considering knowledge, experience, abilities, and other factors, based on the following selection standards. Furthermore, the President & CEO also proposes candidates for Audit & Supervisory Board Members to the Board of Directors, after obtaining approval from the Audit & Supervisory Board, based on the following selection standards. At the Board of Directors meeting, the President & CEO carefully explains the reasons for appointing each candidate to the Board of Directors, and careful deliberations are held, with the participation of Outside Directors and Outside Audit & Supervisory Board Members.

A resolution to appoint (or reappoint) the President & CEO is made after careful deliberation by the Board of Directors following an explanation of the qualifications of the candidate, such as his or her professional background (and, in the case of reappointment, the status of execution of his or her duties, including business performance) and receipt of advice at the Advisory Council.

In addition, if Directors (including the President & CEO), Audit & Supervisory Board Members, and Executive Officers engage in misconduct or material violations of any laws and regulations in the course of execution of business, or if they are found not to meet the selection standards, their dismissal is deliberated carefully and in a timely manner.

If an Outside Director or Outside Audit & Supervisory Board Member deems it necessary to dismiss the President & CEO, a meeting of the Advisory Council (without the attendance of the President & CEO) may be convened in a flexible manner, in order to deliberate on the matter.

[Selection Standards]

1. Directors and Audit & Supervisory Board Members should be mentally and physically sound enough to execute business.
2. Directors and Audit & Supervisory Board Members should be persons who are well respected, possess excellent integrity and hold themselves to high ethical standards.
3. Directors and Audit & Supervisory Board Members should have a law-abiding spirit.
4. Directors and Audit & Supervisory Board Members should have the ability to make objective judgments regarding management and have excellent insight and perspicacity.
5. In addition to 1. to 4. above, Outside Directors should (i) have experience, achievements and knowledge in their fields of specialty, and (ii) be able to contribute to the implementation of appropriate decision making and management supervision of the Board of Directors.

Principle 3.1 (v)

Explanations of appointments/dismissals and nominations

The reasons for nominating the candidates for Directors and Audit & Supervisory Board Members at the most recent Annual General Meeting of Shareholders are stated in the Notice of Convocation of the General Meeting of Shareholders. For details, please refer to the link below.

During the fiscal year under review, no Directors, Audit & Supervisory Board Members, or Executive Officers have been dismissed.

<https://www.lf.mufg.jp/english/investors/index.html>

Supplementary Principle 4.1.1

Disclosure of the scope of delegation to management

The Company establishes important matters that need to be resolved by the Board of Directors, in accordance with the Rules of the Board of Directors. Decisions regarding matters that do not fall within the aforementioned important matters are delegated to management. In order to ensure the proper implementation of the Rules of the Board of Directors, standards have been established for items to be submitted to the Board of Directors. Among those matters that need to be resolved by the Board of Directors, as provided in the Rules of the Board of Directors, specific standards requiring a resolution of the Board of Directors have been established for “the disposal of and acceptance of transfer of important assets” such as the buying and selling of receivables and

assets, “borrowing of a significant amount” such as borrowings, “the appointment and dismissal of important employees, including managers,” “the establishment, change, or abolition of important structures including branch offices,” and “the establishment, revision, or abolition of important internal rules.” Decisions regarding matters that do not fall within these matters are delegated to management. If specific standards requiring a resolution of the Board of Directors are to be set by reference to monetary amounts, a standard amount is determined based on the amount of total assets.

Principle 4.9

Independence standards for Outside Directors and selection of Outside Directors

Please refer to II 1. “Independent Directors/Audit & Supervisory Board Members” in this report.

Supplementary Principle 4.11.1

Views on the appropriate balance of knowledge, experience and skills, diversity, and size of the Board of Directors as a whole

The Company’s Board of Directors consists of Directors from a variety of business categories and industries such as finance companies, trading companies, and manufacturers, and has an appropriate number of members to ensure such diversity.

Each Director is expected to fully demonstrate his skills and abilities, backed by each individual’s experience, and to implement management supervision by utilizing his deep insight from a variety of perspectives.

Although the Company does not currently have female or foreign Directors, the Company has elected one new female Audit & Supervisory Board Member. In order to confirm the appropriateness of business execution as well as to monitor and confirm the management supervision function of the Board of Directors, Audit & Supervisory Board Members attend meetings of the Board of Directors and state their opinions as necessary. In addition, the Company has elected several Directors who possess a wealth of international business experience. The Company will continue to consider taking actions based on recognition that gender diversity is an important management issue.

Supplementary Principle 4.11.2

Information on Directors and Audit & Supervisory Board Members who have concurrent posts

The Company’s Directors and Audit & Supervisory Board Members put sufficient time and effort into their work to fulfill their respective roles and responsibilities appropriately.

Information on Directors and Audit & Supervisory Board Members who have concurrent posts has been included in the Business Report posted in the Notice of Convocation of the General Meeting of Shareholders, which can be viewed at the link below:

<https://www.lf.mufg.jp/english/investors/index.html>

Supplementary Principle 4.11.3

Evaluation of the Board of Directors and disclosure of the results thereof

In an effort to enhance corporate governance, the Company has established the Advisory Council as an advisory body for the Board of Directors, and holds council meetings regularly. The Advisory Council consists of the Representative Directors, full-time Audit & Supervisory Board Members, Outside Directors, and Outside Audit & Supervisory Board Members. At council meetings, a wide range of opinions are exchanged regarding matters related to the Board of Directors. In addition to advice given at council meetings to enhance the effectiveness of the Board of Directors, measures to address any issues identified after the analyses and evaluations of the Company's Board of Directors are examined and implemented for continuous improvement of effectiveness.

The following is an overview of the results of the Board of Directors' evaluations for FY2019.

1. Reports made directly by the heads of each business division regarding the status of operation of each business division have deepened understanding of the Company overall and each business division as well as understanding of each business. (Response was strengthened based on the Board of Directors' evaluations for the previous fiscal year.)
2. As the digitization of documents is a trend of the times, the Company needs to promote it.

In light of these results, the Company will continue its efforts to improve the effectiveness of the Board of Directors.

Supplementary Principle 4.14.2

Disclosure of the training policy for Directors and Audit & Supervisory Board Members

1. The Company provides management-related materials, such as the Annual Securities Report and the Business Report, to newly-appointed Outside Directors and Outside Audit & Supervisory Board Members as part of the briefing provided upon their appointment to explain the business environment and other matters.
2. The Company provides information on training opportunities to Directors and Audit & Supervisory Board Members, for example, by introducing seminars held by external organizations. In addition, the Company has put in place an Advisory Council consisting of Representative Directors, full-time Audit & Supervisory Board Members, Outside Directors, and Outside Audit & Supervisory Board Members, which serves as an advisory body for the Board of Directors. At Advisory Council meetings, information is exchanged and shared, and cooperation is fostered through the provision of various opportunities for communication.
3. The Company bears the full cost related to the training of Directors and Audit & Supervisory Board Members.

Supplementary Principle 5.1

Policies for constructive dialogue with shareholders

1. The Company strives to engage in proactive dialogue with shareholders, with the recognition that conducting transparent and sound management is one of its social responsibilities, while focusing on sustainable growth and enhancement of its medium- to long-term corporate value.
2. Regarding dialogue with the shareholders, the executive officer in charge of the Corporate Communications Department is responsible for coordination, and the Corporate Communications Department serves as the

primary point of contact, implementing a system for coordination with the relevant internal departments, such as planning, accounting, and general administration.

3. The Company takes the following initiatives with the recognition that dialogue with the shareholders is vitally important:

- Financial results briefings are held twice each year, once for second quarter financial results and once for full-year financial results, during which Representative Directors provide explanations and also answer any questions that are asked.
- Representative Directors and the Corporate Communications Department make individual visits to domestic and foreign institutional investors, and participate in meetings, briefings, and various conferences.
- Relevant departments cooperate and participate in IR events and various briefings for individual investors organized by securities companies and stock exchanges.

4. Regarding opinions and concerns expressed in the dialogue with shareholders, the Corporate Communications Department, which serves as the point of contact, promptly provides feedback to management, as necessary, to ensure the sharing of information.

5. The Company appropriately and carefully manages insider information, in accordance with the Company's rules for preventing insider trading, and also discloses such information in accordance with the IR policy. The IR policy is disclosed on the Company website:

<https://www.lf.mufg.jp/english/investors/policy/index.html>

2. Capital Structure **Updated**

Percentage of Foreign Shareholders	From 10% to less than 20%
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[Status of Major Shareholders] **Updated**

Name / Company Name	Number of Shares Owned (shares)	Percentage (%)
Mitsubishi Corporation	179,182,700	20.00
Mitsubishi UFJ Financial Group, Inc.	120,356,600	13.43
MUFG Bank, Ltd.	54,487,500	6.08
Japan Trustee Services Bank, Ltd. (Trust account)	44,751,100	4.99
The Master Trust Bank of Japan, Ltd. (Trust account)	35,908,600	4.00
Meiji Yasuda Life Insurance Company	30,896,900	3.44
Mitsubishi UFJ Trust and Banking Corporation	28,431,000	3.17
Hitachi Capital Corporation	26,678,000	2.97
Ryoshin Holdings Corporation	13,068,100	1.45
JP MORGAN CHASE BANK 385632	11,603,535	1.29

Controlling Shareholder (except for Parent Company)	—
Parent Company	—

Supplementary Explanation

3. Corporate Attributes

Listed Stock Markets and Market Sections	Tokyo Stock Exchange/First Section, Nagoya Stock Exchange/First Section
Fiscal-Year End	March
Type of Business	Other Financing Business
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 100 to less than 300

4. Policy on Measures to Protect Minority Shareholders when Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which may have Material Impact on Corporate Governance

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II Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Matters Concerning Organizational Composition and Operation

Organization Form	Company with Auditors
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	22 persons
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Chairman (except for when concurrently serving as President)
Number of Directors	9 persons
Appointment of Outside Directors	Appointed
Number of Outside Directors	4 persons

Number of Outside Directors who are designated as Independent Directors	2 persons
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Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company (*)											
		a	b	c	d	e	f	g	h	i	j	k	
Teruyuki Minoura	From another company									△			
Toshio Haigou	From another company									○			
Mitsumasa Ichō	From another company								○	○			
Naomi Hayashi	From another company					○			○	○			

* Categories for "Relationship with the Company"

* "○" when the Director presently falls within or has recently fallen into the category

"△" when the Director fell within the category in the past

* "●" when a close relative of the Director currently falls within or has recently fallen into the category

"▲" when a close relative of the Director fell into the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the Company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company in addition to compensation as a Director/Audit & Supervisory Board Member

g. Major shareholder of the Company (or an executive of the major shareholder if the relevant shareholder is a legal entity)

h. Executive of a client or supplier of the Company (which does not correspond to any of d, e, or f) (the Director himself/herself only)

i. Executive of a company, between which and the Company's Outside Directors/Audit & Supervisory Board Members are mutually appointed (the Director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the Director himself/herself only)

k. Other

Outside Directors' Relationship with the Company (2) Updated

Name	Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Teruyuki Minoura	○	Previously, Mr. Teruyuki Minoura was an executive of Toyota Boshoku Corporation and DAIHATSU MOTOR CO., LTD. There is a transactional relationship, including lease contracts between these two companies and the Company; however, the amount is less than 1% of the consolidated net sales of the two companies and the Company for FY2019.	Mr. Teruyuki Minoura has a wealth of management experience and deep insight gained at major manufacturing companies in Japan. We expect him to utilize this background and to contribute to appropriate decision-making and oversight of overall management by the Board of Directors as an Outside Director based on his objective perspective, independent from the Company's management team engaged in the execution of business. (Reasons for designation as an Independent Director)

			We have determined that Mr. Teruyuki Minoura fulfills the independence standards, and has no risk of conflicts of interest with general shareholders, after comprehensively taking into consideration his current status, past career, and other factors. We have therefore designated him as an Independent Director.
Toshio Haigou	○	Mr. Toshio Haigou is currently the Representative Director & Executive Vice-President of the Nagoya Railroad Co., Ltd. (He will resign from his office on June 25, 2020 and be appointed as Representative Director & Executive Vice-President of Meitetsu World Travel Inc.) There is a transactional relationship, including lease contracts between the Nagoya Railroad Co., Ltd. and the Company; however, the amount is less than 1% of the consolidated operating revenues of the Nagoya Railroad Co., Ltd. and the consolidated net sales of the Company for FY2019.	Mr. Toshio Haigou has a wealth of management experience and deep insight gained at a major railroad company in Japan. We expect him to utilize this background and contribute to the appropriate decision-making and oversight of overall management by the Board of Directors as an Outside Director based on his objective perspective, independent from the Company's management team engaged in the execution of business. (Reasons for designation as an Independent Director) We have determined that Mr. Toshio Haigou fulfills the independence standards, and has no risk of conflicts of interest with general shareholders, after comprehensively taking into consideration his current status, past career, and other factors. We have therefore designated him as an Independent Director.
Mitsumasa Icho		Mr. Mitsumasa Icho is currently the Executive Vice President of Mitsubishi Corporation, a major shareholder of the Company. There is a transactional relationship, including lease contracts between Mitsubishi Corporation and the Company.	Mr. Mitsumasa Icho has a wealth of management experience at a major general trading company in Japan and deep insight into the financial business. We expect him to utilize this background and to contribute to appropriate decision-making and to oversight of overall management by the Board of Directors as Outside Director, based on his practical perspective.
Naomi Hayashi		Mr. Naomi Hayashi is currently the Managing Corporate Executive & Group CSO of Mitsubishi UFJ Financial Group, Inc., a major shareholder of the Company. There is a transactional relationship, including financial transactions between Mitsubishi UFJ Financial Group, Inc. and the Company. In addition, Mr. Hayashi is a Member of the Board of Directors and	Mr. Naomi Hayashi has a wealth of management experience at major financial institutions in Japan and deep insight into the financial business. We expect him to utilize this background and contribute to appropriate decision-making and to the oversight of overall management by the Board of Directors as Outside Director, based on his practical perspective.

		Managing Executive Officer (Representative Director) of MUFG Bank, Ltd., which is one of the major lenders of the Company. There is a transactional relationship, including lease contracts and borrowings between MUFG Bank, Ltd. and the Company.	
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Voluntary Establishment of Committee(s) equivalent to the Nominating Committee or the Compensation Committee	Not Established
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[Audit & Supervisory Board Members]

Establishment of the Audit & Supervisory Board	Established
Number of members of the Board provided for in the Articles of Incorporation	No limitation
Number of Audit & Supervisory Board Members	6 persons

Cooperation between Audit & Supervisory Board Members, Accounting Auditors, and Internal Audit Divisions

Audit & Supervisory Board Members exchange information with the Accounting Auditor as necessary to reinforce mutual cooperation. Deloitte Touche Tohmatsu LLC is appointed as the Accounting Auditor. In addition, Audit & Supervisory Board Members and the Internal Audit Department work closely through means such as discussions and exchange of information concerning the results of the internal audit.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3 persons
Number of Outside Audit & Supervisory Board Members who are designated as Independent Audit & Supervisory Board Members <u>Updated</u>	2 persons

Outside Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attribute	Relationship with the Company (*)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Hiroyasu Nakata	Academic													
Hiroshi Minagawa	From another company										△			

Hiroko Kaneko	Academic																		
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* Categories for “Relationship with the Company”

- * “○” when the Audit & Supervisory Board Member presently falls within or has recently fallen into the category;
 - “△” when the Audit & Supervisory Board Member fell into the category in the past
 - * “●” when a close relative of the Audit & Supervisory Board Member presently falls within or has recently fallen into the category;
 - “▲” when a close relative of the Audit & Supervisory Board Member fell into the category in the past
- a. Executive of the Company or its subsidiary
 - b. Non-executive director or accounting advisor of the Company or its subsidiaries
 - c. Non-executive director or executive of a parent company of the Company
 - d. Auditor of a parent company of the Company
 - e. Executive of a fellow subsidiary company of the Company
 - f. A party whose major client or supplier is the Company or an executive thereof
 - g. Major client or supplier of the Company or an executive thereof
 - h. Consultant, accountant, or legal professional who receives a large amount of monetary consideration or other property from the Company in addition to compensation as an Audit & Supervisory Board Member
 - i. Major shareholder of the Company (or an executive of the major shareholder if the relevant shareholder is a legal entity)
 - j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)
 - k. Executive of a company, between which and the Company Outside Directors/Audit & Supervisory Board Members are mutually appointed (the Audit & Supervisory Board Member himself/herself only)
 - l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)
 - m. Other

Outside Audit & Supervisory Board Members’ Relationship with the Company (2) Updated

Name	Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons for Appointment
Hiroyasu Nakata	○	Mr. Hiroyasu Nakata is currently a professor at Waseda Law School. There is a transactional relationship, including lease contracts between the Company and Waseda University; however, the amount is less than 1% of the revenues of Waseda University and the consolidated net sales of the Company in FY2019.	Mr. Hiroyasu Nakata has academic expertise and a wealth of knowledge as a university professor. We expect him to utilize this background and to contribute to ensuring the sound management of the Company as an Outside Audit & Supervisory Board Member, by conducting audits from his neutral and objective perspective. (Reasons for designation as an Independent Audit & Supervisory Board Member) We have determined that Mr. Hiroyasu Nakata fulfills the independence standards, and has no risk of conflicts of interest with general shareholders, after comprehensively taking into consideration his current status, past career, and other factors. We have therefore designated him as an Independent Audit & Supervisory Board Member.

Hiroshi Minagawa		Mr. Hiroshi Minagawa previously worked for Mitsubishi UFJ Trust and Banking Corporation. There is a transactional relationship, including lease contracts between The Mitsubishi UFJ Trust and Banking Corporation and the Company.	Mr. Hiroshi Minagawa has a wealth of management experience at major financial institutions in Japan, and other businesses, deep insight into the financial business, and knowledge regarding finance, accounting, and other fields. We expect him to utilize this background and to contribute to ensuring the sound management of the Company as an Outside Audit & Supervisory Board Member, by conducting audits from his practical perspective.
Hiroko Kaneko	○	Ms. Hiroko Kaneko is currently a professor at Waseda Graduate School of Accountancy. There is a transactional relationship between the Company and Waseda University, including lease contracts; however, the amount is less than 1% of the revenues of Waseda University and the consolidated net sales of the Company in FY2019.	Ms. Hiroko Kaneko has a wealth of experience gained at a major audit corporation and as a university professor, as well as extensive knowledge as a professional accountant. We expect her to utilize this background and to contribute to ensuring the sound management of the Company as an Outside Audit & Supervisory Board Member by conducting audits from her neutral and objective perspective. (Reasons for designation as an Independent Audit & Supervisory Board Member) We have determined that Ms. Hiroko Kaneko fulfills the independence standards, and has no risk of conflicts of interest with general shareholders, after comprehensively taking into consideration her current status, past career, and other factors. We have therefore designated her as an Independent Audit & Supervisory Board Member.

[Independent Directors/Audit & Supervisory Board Members]

Number of Independent Directors/ Audit & Supervisory Board Members Updated	4 persons
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Other matters relating to Independent Directors/Audit & Supervisory Board Members

In addition to the requirements for Independent Directors/Auditors set forth by the Financial Instruments Exchanges of Japan, such as the Tokyo Stock Exchange, the Company shall judge independence through confirmation that the candidate has not qualified under any of the following items (1) through (6) at any time in the past three fiscal years, and after consideration as to whether the individual is objectively and substantially independent:

- (1) A major shareholder (i.e., a shareholder holding 10% or more of the total voting rights) of the Company or an Executive thereof (Note 1);
- (2) An Executive of a lender of the Company that exceeds the Company's standard (Note 2);

- (3) An Executive of a business partner of the Company that exceeds the Company's standard (Note 3);
- (4) A consultant, attorney-at-law, certified public accountant, or other person who provides professional services, who receives more than 10 million yen per fiscal year in monetary or other assets from the Company, excluding officers' compensation;
- (5) A representative partner or partner of the Company's Accounting Auditor;
- (6) A person who belongs to an association which receives donations from the Company exceeding a certain amount (Note 4).

Note 1 An Executive refers to an Executive Director, Executive Officer, or other employee.

Note 2 A lender that exceeds the Company's standard refers to a lender from whom the amount the Company has borrowed exceeds 2% of the consolidated total assets of the Company.

Note 3 A business partner that exceeds the Company's standard refers to a business partner whose dealings with the Company have a value equal to more than 2% of the consolidated net sales of the Company or of the relevant business partner;

Note 4 Donations exceeding a certain amount refers to donations exceeding 10 million yen per fiscal year. Even if a candidate qualifies under any of items (1) through (6) above, if the relevant candidate is judged to be substantially independent and is registered as an Independent Director/Auditor with the Financial Instruments Exchanges of Japan, such as the Tokyo Stock Exchange, the reason for the candidate's qualification(s) shall be explained and disclosed at the time of the candidate's election as an Outside Director or Audit & Supervisory Board Member.

[Incentives]

Implementation of Incentive Policies for Directors	Performance-based compensation plan / stock option plan
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Supplementary Explanation
<ul style="list-style-type: none"> - The Company resolved to grant stock compensation-type stock options to its Directors (excluding Outside Directors) at the 38th Annual General Meeting of Shareholders held on June 26, 2009. - Bonuses are paid as single-year performance-based compensation. For details, please refer to II 1. "Disclosure of Policy on Determining Compensation Amounts and Calculation Methods" in "Compensation for Directors" of this report.

Recipients of Stock Options	Inside Directors / Other
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Supplementary Explanation
The Company has granted stock compensation-type stock options to its Directors (excluding Outside Directors) and Executive Officers since FY2009, with the aim of further strengthening their morale and motivation to contribute to the continuing improvement of business performance and corporate value over the medium- to long-term.

[Compensation of Directors]

Disclosure (of Individual Directors' Compensation)	No disclosure of individual compensation
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Supplementary Explanation Updated

(FY2019)

Compensation provided to the Company's Directors (excluding Outside Directors) was 322 million yen (a total of 256 million yen, consisting of base compensation and bonuses, 61 million yen in compensation related to the granting of stock compensation-type stock options, and 3 million yen in non-monetary compensation related to the provision of company housing), while compensation provided to Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members) was 65 million yen. In addition, compensation provided to Outside Directors and Outside Audit & Supervisory Board Members was 81 million yen.

Policy on Determining Compensation Amounts and Calculation Methods Updated	Established
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Disclosure of Policy on Determining Compensation Amounts and Calculation Methods

(i) Basic policy

- The Company's officers' compensation is determined by also taking into account officers' incentives, with a view toward increasing corporate value through the execution of business strategies.
- The level of compensation is appropriate with respect to the roles and responsibilities of each officer, and is also based on market levels, from the viewpoints of increasing medium- to long-term corporate value and improving short-term business performance.

(ii) Content of Directors' compensation, etc.

Compensation system

- In principle, Directors' (excluding Outside Directors; hereinafter, the same in (ii)) compensation, etc., consists of base compensation (fixed compensation), annual incentive compensation (performance-based compensation), and medium- to long-term incentive compensation. Regarding annual incentive compensation, cash is paid as bonus, while medium- to long-term incentive compensation is paid through the granting of stock compensation-type stock options.
- The Company has established a payment ratio for performance-based compensation and non-performance-based compensation, with a view toward maintaining a sound performance-based ratio. In addition, the Company has also established appropriate short-term and medium- to long-term incentive ratios under this compensation system, in order to enhance not only short-term business performance, but also medium- to long-term corporate value.
- Specifically, the ratio of non-performance-based compensation (base compensation and stock compensation-type stock options) to performance-based compensation (bonus) is generally set at 1.3 : 0.3 (the ratio of base compensation to stock compensation-type stock options to bonus is generally set at 1 : 0.3 : 0.3). Using this

as the base case, the ratio is determined by taking into account the roles, responsibilities, and other factors with regard to each Director on a comprehensive basis.

- Outside Directors are not paid bonus or stock compensation-type stock options, which represent incentive compensation, in order to ensure the effectiveness of their supervisory functions. Accordingly, they are paid only base compensation.

Performance-based compensation

- With regard to bonuses, which represent performance-based compensation, the consolidated net income for the fiscal year is set as a Key Performance Indicator (KPI) for the companywide performance evaluation, which is emphasized as one of the indicators of the Company's growth from the perspective of management strategy, and is disclosed as a numerical target of the Medium-Term Management Plan, with a view toward clarifying the relationship between business performance and compensation.
- The bonus of Representative Directors is fully linked to the company-wide performance evaluation, with the amount to be paid determined within the range of 0% to 150% of the standard amount, based on the level of achievement of the projection for the consolidated net income for the fiscal year.
- The bonus of Executive Directors, excluding Representative Directors, is based 70% on the company-wide performance evaluation and 30% on the evaluation of the duties for which each individual is responsible. The amount to be paid based on each evaluation is determined within the range of 0% to 150% of the standard amount.

For the responsible duty-based portion, quantitative and qualitative evaluations are conducted by the President & CEO using a standard evaluation sheet, from the perspective of performance and the level of contribution regarding the duties handled by the relevant Executive Director. We believe that the incentive of each Director can be enhanced by appropriately evaluating not only the level of achievement of performance targets, but also results, such as the level of contributions, which cannot be evaluated by quantitative means alone.

Non-performance-based compensation

- Stock compensation-type stock options, which represent medium- to long-term incentive compensation, are paid after the number of stock options to be granted is determined, according to the role and the title of each Director.
- When it is necessary for Directors to reside in an area away from home due to a transfer resulting from a change of duties or base, the Company provides such Directors with appropriate company housing. (Hereinafter, the difference between the total rent per month required by the Company to rent company housing and the total company housing rent per month collected from the Directors will be referred to as "non-monetary compensation related to the provision of company housing.")

(iii) Method of determining Directors' compensation, etc.

- The amount of compensation, etc., to be paid to Directors, including Outside Directors (excluding non-monetary compensation related to the provision of company housing) has been set at no more than 480 million yen annually for the sum of base compensation and bonuses, while the amount of compensation, etc., related to the granting of stock compensation-type stock options has been set at no more than 150 million yen annually, by a resolution of the General Meeting of Shareholders (June 26, 2009). Although the number of Directors relating to the amount of compensation, etc., was not specified in the relevant resolution of the General Meeting of Shareholders, the number of Directors at the close of said General Meeting of Shareholders was 13 (four of whom were Outside Directors, to whom only base compensation was to be paid).
- The amount of non-monetary compensation related to the provision of company housing for Directors (excluding Outside Directors) has been set at no more than 2 million yen per month, by a resolution of the General Meeting of Shareholders (June 28, 2007). Although the number of Directors relating to the amount of compensation was not specified in the relevant resolution of the General Meeting of Shareholders, the number of Directors (excluding Outside Directors) at the close of the General Meeting of Shareholders was 11.
- In order to establish a transparent and objective process for determining officers' compensation, the Company deliberates on officer compensation at a meeting of the Board of Directors, after providing prior explanations on the policy and details thereof and receiving advice at the Advisory Council (attended by the Representative Directors, Outside Directors, and Outside Audit & Supervisory Board Members).
The specific amounts of base compensation and bonuses to be paid, as well as non-monetary compensation related to the provision of company housing, are determined at the discretion of the President & CEO (Takahiro Yanai), within the range of the upper limits approved by resolution of the General Meeting of Shareholders. The individual amounts of compensation are reported to the Advisory Council after the fact and verified. With regard to stock compensation-type stock options, the number of stock options to be granted to each Director is resolved at the meeting of the Board of Directors.

(iv) Details and method of determination of compensation, etc., for Audit & Supervisory Board Members

- Audit & Supervisory Board Members are not paid bonuses or stock compensation-type stock options, which represent incentive compensation, from the standpoint of ensuring the fairness of audits. Accordingly, they are paid only base compensation.
- The amount of compensation for Audit & Supervisory Board Members has been set at no more than 120 million yen annually, by a resolution of the General Meeting of Shareholders (June 26, 2009). The amount of compensation for each Audit & Supervisory Board Member is determined through consultations among the Audit & Supervisory Board Members. Although the number of Audit & Supervisory Board Members relating to the amount of compensation, etc., was not specified in the relevant resolution of the General Meeting of Shareholders, the number of Audit & Supervisory Board Members at the close of said General Meeting of Shareholders was seven.

[Supporting System for Outside Directors (Outside Audit & Supervisory Board Members)]

- The General Affairs Department is mainly responsible for duties such as transmitting information and sending documents to Outside Directors and Outside Audit & Supervisory Board Members.
- In principle, documents are sent in advance, with the relevant departments providing prior explanations of particularly important proposals, as appropriate.
- In addition, a Secretariat for the Audit & Supervisory Board, which assists all Audit & Supervisory Board Members, including Outside Audit & Supervisory Board Members, with their duties, has been established to support Outside Audit & Supervisory Board Members.

[Status of retired Presidents & CEOs, etc.]

Names and other details about Advisors or Senior Advisors who are former Presidents & CEOs, etc.

Name	Title	Work performed	Conditions (Full-time/part-time, compensation, etc.)	Date of retirement as CEO, etc.	Term of office
Yoji Onoe	Senior Advisor	Activities contributing to the financial world, society, etc. (No involvement in management)	Part time, with compensation	2005/06/29	1 year
Yasuyuki Hirai	Senior Advisor	Activities contributing to the financial world, society, etc. (No involvement in management)	Part time, with compensation	2007/3/31	1 year
Kazuyoshi Tanaka	Senior Advisor	Activities contributing to the financial world, society, etc. (No involvement in management)	Part time, with compensation	2010/6/29	1 year
Naotaka Obata	Senior Advisor	Activities contributing to the financial world, society, etc. (No involvement in management)	Part time, with compensation	2012/6/28	1 year
Ryuichi Murata	Senior Advisor	Activities contributing to the financial world, society, etc. (No involvement in management)	Part time, with compensation	2017/6/29	1 year

Total number of Advisors or Senior Advisors who are former Presidents & CEOs, etc.	5 persons
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Other items

- Following discussions with all Outside Directors and Outside Audit & Supervisory Board Members, the Company abolished the Advisor/Senior Advisor System, and established a new Senior Advisor System, in July 2018.
- Under the new system, former Chairmen and Presidents of the Company may be appointed as Senior Advisors for purposes of engaging in external activities, such as activities in the financial world and activities to contribute to society.
- In principle, the maximum length of office of a Senior Advisor under the new system is six years, with the contract being renewed each year as necessary, based on the status of the activities of the Senior Advisor. However, certain transitional measures may be taken for Advisors/Senior Advisors prior to the transition to the new system.

- After the retirement of a Senior Advisor, the title of Honorary Advisor may be used.
- Senior Advisors and Honorary Advisors are not involved in decision-making at the management level, and the Company management does not engage in regular reporting, etc., to Senior Advisors and Honorary Advisors.
- Senior Advisors are paid compensation in amounts corresponding to their duties, while Honorary Advisors serve without compensation.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nominating and Compensation Decisions, etc. (Overview of Current Corporate Governance Systems) Updated

(Details, etc., regarding Company organization)

The Company's Board of Directors convenes regular meetings (nine meetings were held in FY2019), and also convenes extraordinary meetings on a flexible basis (one meeting was held in FY2019), as necessary, to deliberate and decide on matters required by laws and regulations and the Articles of Incorporation, as well as important management matters. Outside Directors utilize their wealth of management experience to contribute to appropriate decision-making and supervision of management by the Board of Directors, from their respective perspectives.

In FY2019, the Board of Directors deliberated and decided on important investment and loan projects in Japan and overseas, the strategies and issues of each business division, and other important matters.

Attendance at the Board of Directors meetings by Directors and Audit & Supervisory Board Members in FY2019 was as follows:

Chairman	Tadashi Shiraishi	10/10 times
President & CEO	Takahiro Yanai	10/10 times
Deputy President	Toshimitsu Urabe	10/10 times
Senior Managing Director	Tsuyoshi Nonoguchi	10/10 times
Managing Director	Yoichi Shimoyama	10/10 times
Outside Director	Teruyuki Minoura	10/10 times
Outside Director	Toshio Haigou	8/10 times
Outside Director	Mitsumasa Icho	8/8 times*
Outside Director	Naomi Hayashi	9/10 times
Full-time Audit & Supervisory Board Member	Naohito Suzuki	10/10 times
Full-time Audit & Supervisory Board Member	Shuji Miake	8/8 times*
Full-time Audit & Supervisory Board Member	Naoki Matsumuro	10/10 times
Outside Audit & Supervisory Board Member	Shota Yasuda	9/10 times
Outside Audit & Supervisory Board Member	Hiroyasu Nakata	8/10 times
Outside Audit & Supervisory Board Member	Hiroshi Minagawa	10/10 times

* Attendance of newly-appointed Directors and Audit & Supervisory Board Members after their election at the General Meeting of Shareholders in June 2019

In addition, the Company has introduced an executive officer system, in order to further enhance and invigorate the functions of the Board of Directors by clarifying its roles and responsibilities through reinforcement of the management decision-making and supervisory functions and the separation of the functions related to the execution of business. Since June 24, 2020, the number of Directors has stood at nine, including four Outside Directors, while the number of Executive Officers has stood at 39, including four who concurrently serve as Directors.

The Company has established the Management Committee as a body that discusses and determines matters relevant to controlling the execution of business by drawing up a specific execution policy based on the basic management policy determined by the Board of Directors. In principle, the Management Committee convenes a meeting once each week.

Furthermore, in an effort to enhance corporate governance, the Company has established the Advisory Council as a body that provides advice to the Board of Directors. This council consists of three Representative Directors (Mr. Tadashi Shiraishi, Mr. Takahiro Yanai, and Mr. Toshimitsu Urabe), three full-time Audit & Supervisory Board Members (Mr. Naohito Suzuki, Mr. Shuji Miake, and Mr. Naoki Matsumuro), four Outside Directors (Mr. Teruyuki Minoura, Mr. Toshio Haigou, Mr. Mitsumasa Icho, and Mr. Naomi Hayashi), and three Outside Audit & Supervisory Board Members (Mr. Hiroyasu Nakata, Mr. Hiroshi Minagawa, and Ms. Hiroko Kaneko). At the council meeting chaired by the Chairman (Mr. Tadashi Shiraishi), governance-related matters, including nomination of the President & CEO and Directors' compensation, etc., are explained in advance, and advice is offered. Following such explanation and advice, the Board of Directors deliberates on such matters.

The Company has established the Audit & Supervisory Board in an effort to ensure the fair supervision of the execution of business by Directors. The Audit & Supervisory Board consists of six Audit & Supervisory Board Members, three of whom are Outside Audit & Supervisory Board Members. Outside Audit & Supervisory Board Members utilize their wealth of knowledge, management experience, etc., and conduct audits from various perspectives in order to contribute to ensuring the sound management of the Company.

(Status of the internal audit, audit by Audit & Supervisory Board Members, and accounting audit)

The Company's internal audit is implemented by the Internal Audit Department (which is comprised of 29 staff members). The Internal Audit Department systematically implements internal audits based on an annual audit plan, and reports the audit results to the President & CEO. With regard to the audited divisions, the Internal Audit Department identifies matters that require improvement and provides guidance. By making such divisions report the results of improvement after the audit, the Internal Audit Department ensures the effectiveness of the audit. In addition, the General Manager of the Internal Audit Department builds collaborative relationships with the Audit & Supervisory Board Members and the Accounting Auditor as necessary, for example, by exchanging relevant information with these individuals, and works to ensure the efficient implementation of the audit. At the same time, the General Manager attends important meetings of the internal control division, such as the Risk Management Committee and the Compliance Committee, and exchanges relevant information.

The number of Audit & Supervisory Board Members stands at six, three of whom are Outside Audit & Supervisory Board Members. Audit & Supervisory Board Members comply with the Audit and Supervisory Board Member Auditing Standards established by the Audit & Supervisory Board, follow the policies and divisions of duties of auditing, and communicate with Directors and employees, etc., of the internal audit division, internal control division, and other divisions in an effort to collect information and create an appropriate environment for the audit. At the same time, Audit & Supervisory Board Members attend meetings of the Board of Directors and other important meetings, where they receive reports on the status of the execution of duties from Directors and employees, etc., and ask them for explanations as necessary. They also review important approval-granting documents, etc., and investigate the status of operations and assets at the head office and other major offices and branches. In addition, Audit & Supervisory Board Members exchange information with the Accounting Auditor, as appropriate, and attend the on-site audits conducted by the Accounting Auditor as necessary. Audit & Supervisory Board Member Mr. Hiroyasu Nakata, who has worked as an attorney-at-law and is currently a professor at Waseda Law School, has considerable knowledge regarding legal affairs. In addition, Audit & Supervisory Board Member Ms. Hiroko Kaneko, who has been involved in accounting audits for many years as a certified public accountant and is currently a professor at Waseda Graduate School of Accountancy, has considerable knowledge regarding finance and accounting.

Audit & Supervisory Board Members Mr. Naohito Suzuki, Mr. Shuji Miake, Mr. Naoki Matsumuro, and Mr. Hiroshi Minagawa have each long engaged in duties on behalf of companies operating financial businesses, and possess abundant knowledge regarding finance and accounting. Each of the Company's Audit & Supervisory Board Members also possesses deep insight into the financial business. As such, the Company has developed a system to thoroughly ensure the effectiveness of accounting audits.

Accounting audits are implemented in collaboration with Audit & Supervisory Board Members, as well as the internal audit division, based on the audit contract concluded with Deloitte Touche Tohmatsu LLC, and in conjunction with matters such as the provision of relevant information by the internal control division.

The certified public accountants that performed the accounting audit operations of the Company in FY2019 were Mr. Hideo Shirata, Mr. Motohiro Shimizu, and Mr. Aki Saito, who are Designated Limited Liability Partners and Engagement Partners of Deloitte Touche Tohmatsu LLC.

In addition, 22 certified public accountants and 39 other staff members were involved in the audit operations above, in the role of assistants.

In order to enable Outside Directors and Outside Audit & Supervisory Board Members to perform their expected roles thoroughly, the Company's current Articles of Incorporation state that the Company may enter into agreements with Outside Directors and Outside Audit & Supervisory Board Members which limit their liability for damages to the Company due to negligence in the conduct of their duties, to a certain extent. Accordingly, pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act and the Articles of Incorporation, the Company has entered into limited liability agreements with all Outside Directors and Outside Audit & Supervisory

Board Members that limit such persons' liability for damages stipulated in Article 423, Paragraph 1 of the Companies Act.

An outline of the contents of those agreements is as follows:

- In cases where an Outside Director or Outside Audit & Supervisory Board Member is found liable for damages to the Company due to negligence in the conduct of his/her duties, he/she shall assume such liability for damages, with such liability being limited to the greater of 8 million yen or the minimum amount of liability for damages prescribed in Article 425, Paragraph 1 of the Companies Act.
- The limitation of liability mentioned above shall apply only in cases in which an Outside Director or Outside Audit & Supervisory Board Member has acted in good faith and committed no gross negligence in the performance of his/her duties that caused such liability.

3. Reasons for Adoption of Current Corporate Governance System

In order to further enhance and strengthen corporate governance, the Company has established a system for ensuring management soundness, in which Outside Directors conduct supervision of management through measures such as deliberations at meetings of the Board of Directors, while Audit & Supervisory Board Members, including Outside Audit & Supervisory Board Members, implement audits from their own standpoint.

III Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Meetings of Shareholders and Ensure the Smooth Exercise of Voting Rights Updated

	Supplementary Explanations
Allowing Electronic Exercise of Voting Rights	
Participation in Electronic Voting Platform and Other Measures to Improve the Voting Environment for Institutional Investors	We participate in the electronic voting platform. In addition, the Notice of Convocation of the General Meeting of Shareholders was disclosed on TDnet and the Company website four days before the day of dispatch of the notice.
Providing Convocation Notices (Summary) in English	The Notice of Convocation is partially translated into English.

2. Investor Relations Activities

	Supplementary Explanations	Personal explanation from the CEO
Preparation and Publication of Disclosure Policy	The Company endeavors to voluntarily and actively disclose information that is deemed to be useful for shareholders and other investors, as well as information that the Company is required to disclose under the rules of stock exchanges or	

	<p>laws and regulations, including the Financial Instruments and Exchange Act, in order to gain the trust and fair evaluation of shareholders and other investors.</p> <p>The Company has established an IR Policy based on the basic approach above, and discloses the details of this policy on its website: (https://www.lf.mufg.jp/english/investors/policy/index.html).</p>	
Regular Investor Briefings for Individual Investors	We regularly participate in various IR events. (In FY2019, we participated in an event in Nagoya.)	No
Regular Investor Briefings for Analysts and Institutional Investors	The President gives a financial results briefings twice per year, after the announcement of the second quarter financial results and the full-year financial results.	Yes
Regular Investor Briefings for Overseas Investors	We regularly visit investors in the Americas, Europe, Asia, and other countries, where we hold individual meetings. We also participate in conferences organized by securities companies.	Yes
Posting of IR Materials on Website	Financial information, press releases, financial results, financial overviews, the Corporate Report, and other IR information are posted on the Company website: (https://www.lf.mufg.jp/english/index.html).	
Establishment of IR-related Division (Person in Charge)	Corporate Communications Department	

3. Measures to Respect the Position of Stakeholders **Updated**

	Supplementary Explanations
Establishment of Internal Rules, etc., for Respecting the Position of Stakeholders	Corporate responsibility to stakeholders is clarified in our Corporate Philosophy. This Corporate Philosophy is disclosed on the Company website.
Implementation of Environmental Protection Activities, CSR Activities, etc.	Recognizing that “the leasing business is a business that can make substantial contributions to environmental issues under a system of involvement in products,” the Company has developed an environmental management system, in addition to the promotion of eco-friendly management that contributes to the establishment of a recycling-oriented society, through initiatives such as the acquisition of ISO 14001 certification at major offices and branches. Furthermore, each year the Company prepares a Corporate Report that presents a summary of specific policies and initiatives concerning our CSR (corporate social responsibility) activities. This report is disclosed on the Company website.
Development of Policies, etc., on the Provision of Information to Stakeholders	The Company has established a set of regulations for handling information disclosures, regarding disclosure procedures for important management information, in order to carry out swift and impartial disclosure of accurate information related to the Mitsubishi UFJ Lease & Finance Group to stakeholders. In addition, the IR Policy sets forth matters such as the objectives and basic approach of our IR activities, as well as standards and methods for information disclosures.
Other	(Policies, initiatives, etc., for the active participation of women) The Company believes that promoting the active participation of diverse human resources who can take advantage of their personal attributes, including nationality, age, and gender, as well as their diverse values, is an important theme in terms of management strategy that will enhance our corporate competitiveness. The Diversity Promotion Office, a department of the Company dedicated to promoting the creation of an organization that makes the most of the diversity of its people, conducts a range of programs.

	<p>As such, in the area of promoting the active participation of women, we implement programs using the two-pronged policy of expanding support systems that allow a balance between work and family life, and creating a workplace environment in which individuals can perform to the best of their abilities. These programs include the distribution of information delivery tools (iPads) to employees taking childcare leave, a work location choice scheme that allows employees to change or choose their work location for childcare or family reasons, as well as a career switch system and an internal job posting system that facilitate employees' capabilities, competencies, and motivation to take on challenges.</p> <p>The Company set the target percentage of female managers to 10% or more by the end of FY2020, which is twice the percentage as of FY2015. After the Company continued with the aforementioned programs, systematically nurtured motivated and well-qualified women and promoted them to managerial positions, we achieved the target ahead of schedule, with the percentage of female managers standing at 13.7% at the end of March 2020. Action plans based on various programs and laws, along with other relevant information, are disclosed on the Company website: https://www.lf.mufg.jp/english/corporate/csr/actionplan.html</p>
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IV Matters Related to the Internal Control System, etc.

1. Basic Views on Internal Control System and the Progress of System Development

The Company has adopted a resolution on a system for ensuring the propriety of business activities, as follows, in accordance with Article 362, Paragraphs 4 (vi) and 5 of the Companies Act, as well as Article 100, Paragraphs 1 and 3 of the Regulation for Enforcement of the Companies Act.

We will continue to review this system as appropriate, in response to changes in the environment, in order to further improve and enhance the system.

Hereinafter, “the Group” refers to “the Company and the Company’s subsidiaries and affiliates,” “Group companies” refers to “the Company’s subsidiaries and affiliates,” “domestic Group companies” refers to “the Company’s domestic subsidiaries and affiliates,” and “overseas Group companies” refers to “the Company’s overseas subsidiaries and affiliates.”

In addition, in specifically applying the internal control system to the Group, the system will be applied after making appropriate adjustments based on factors such as the business operations, scale, and importance of each Group company.

1. System for ensuring compliance with laws and regulations and the Articles of Incorporation in the execution of duties by Directors and employees of the Group

[System for compliance with laws and regulations]

- (1) The Company shall establish the Mitsubishi UFJ Lease & Finance Group Code of Ethics and Code of Behavior in order to share fundamental values and ethics to be embraced by all members of the Group and reflect them in business.
- (2) The Company shall establish a system for ensuring that the officers and employees of the Group comply with laws and regulations and the Articles of Incorporation, by establishing and disseminating various internal rules and the Compliance Manual.

- (3) The Company shall establish the Compliance Committee, which deals with establishment, maintenance, management, etc., of the Group's compliance system, in addition to the Chief Compliance Officer (executive officer in charge of the Legal & Compliance Department), who is responsible for the compliance of the Group, and the Legal & Compliance Department, which is tasked with enforcing compliance.
- (4) The Company shall formulate compliance programs (specific plans to ensure that the officers and employees of the Group comply with laws and regulations, etc., including education for the Group's officers and employees) and monitor how the Group's officers and employees are working on those programs.
- (5) The Company shall establish the Compliance Hotline System as an internal whistleblowing framework under which the Group's officers, employees, etc., can report to or seek consultations with the Company regarding unfair practices and other conduct.
- (6) The Company and the Group companies shall take a resolute stance against anti-social forces, which threaten the peace and stability of civil society, and work to prevent transactions with such forces.
- (7) The Company shall be aware of the possibility that funds transacted through the Company and the Group companies may be used for various criminal activities and/or terrorism, and shall work to prevent money laundering.

[Information disclosure system]

- (1) The Company shall establish internal rules for appropriately disclosing information regarding decisions and occurrences concerning the Group in a timely manner, in accordance with accounting standards and other relevant laws and regulations.
- (2) The Company shall establish a Disclosure Committee for deliberating on the appropriateness of information disclosures and the effectiveness of internal controls and procedures related to information disclosures, among other matters.

[Internal audit system]

- (1) The Company shall establish internal rules to smoothly and effectively promote audit activities by clarifying procedures for planning, implementing, and reporting internal audits and providing instructions for improvement within the Group.
- (2) The Company shall establish the Internal Audit Department as a department in charge of internal audits. The Internal Audit Department shall systematically implement internal audits related to the Group based on an annual audit plan and report the audit results to the President & CEO. The Internal Audit Department shall also identify matters that require improvement and provide guidance to the audited divisions of the Group. By making such divisions report the results of improvements to the Company after the audit, the Internal Audit Department ensures the effectiveness of the audit.
- (3) The General Manager of the Internal Audit Department of the Company shall build collaborative relationships with the Auditors and the Accounting Auditor of the Group as necessary, such as by exchanging relevant information with them, and shall work to ensure the efficient implementation of the audit.

2. Framework for storage and management of information relating to the execution of duties by the Company's Directors

The Company shall store and manage important documents and other information relating to the execution of duties by the Directors as stipulated in the internal rules.

3. Framework for reporting to the Company on matters regarding the execution of duties by the Directors of the Group companies

The Company shall request that matters regarding the execution of duties by the Directors of the Group companies be reported to the Company as stipulated in the internal rules.

4. Rules and other frameworks for managing the Group's risk of loss

- (1) The Company shall establish internal rules that state, among other matters, the Group's basic policies for risk management and risk management frameworks and operations.
- (2) The Company shall establish an integrated risk management framework for the Group. The Company shall establish a committee related to the risk management of the Group, an executive officer in charge of risk management, and the Risk Management Department as a department in charge of risk management.
- (3) The Company shall classify the major risks of the Group as follows. The Company shall establish internal rules for risk management, including establishment of a risk management framework under each risk management rule, and shall inspect the status of development of such rules.
 - 1) Credit risks
 - 2) Asset risks
 - 3) Investment risks
 - 4) Market risks
 - 5) Liquidity risks
 - 6) Country risks
 - 7) Operational risks
- (4) The Company shall conduct integrated risk management and operations to contribute to improving corporate value and raising social credibility, while ensuring sound management based on an overall understanding of the wide-ranging risks of the Group, using a uniform scale, as much as possible.
- (5) The Company shall provide a basis for the stable recording of returns commensurate with risk, achievement of an appropriate capital structure, and appropriate allocation of resources, primarily by identifying and recognizing, evaluating and measuring, controlling, monitoring, and reporting the risks of the Group in conducting integrated risk management and operations.
- (6) The Company shall establish a framework for risk capital management as necessary, with respect to the Group's risks that can be evaluated and measured quantitatively.
- (7) The Company shall establish internal rules to ensure the continuation of overall business operations and the restoration of normal functions by clarifying the Group's basic approach to and criteria for responding to crisis events and to establish the systems necessary to minimize the Group's losses.

5. Framework for ensuring the efficient execution of duties by the Group's Directors

- (1) The Company shall set management targets for the Group and draw up management plans to manage business based on appropriate methods.
- (2) The Company shall establish the Management Committee, to which decisions, etc., regarding certain matters are delegated by the Board of Directors. The Management Committee will hold discussions and make decisions on important matters, including the business management of Group companies, in addition to conducting preliminary considerations of matters that are to be submitted to the Board of Directors to facilitate decision-making by the Board of Directors. In addition, various committees shall be established as advisory bodies for the Management Committee.
- (3) In order to efficiently conduct the execution of duties based on the decisions of the Board of Directors, the Company shall build an employee rank framework, organizational structure, etc., in accordance with the internal rules, and shall assign the execution of duties.

6. Framework for ensuring the properness of business activities conducted by the Group

- (1) The Company shall establish the Mitsubishi UFJ Lease & Finance Group Code of Ethics and Code of Behavior in order to share the fundamental values and ethics to be embraced by all members of the Group, and reflect them in business.
- (2) The Company shall establish management methods between the Company and Group companies in order to ensure the propriety of the business activities of Group companies, and establish internal rules to improve the management efficiency and corporate value of the Group as a whole, through the Group carrying out activities with a strong sense of Group solidarity.
- (3) The Company shall receive reports, etc., from the Group companies and conduct management of the Group in line with various internal rules established for the Group management, in adherence to the allocation of duties.
- (4) The Company shall establish management and operational methods for internal controls pertaining to the financial reports of the Group, and shall effectively develop and operate the internal controls of the Group as a whole, so that the Company's financial reports will be prepared appropriately, in accordance with the provisions of the Financial Instruments and Exchange Act and other laws.

7. Matters concerning employees when the Company's Audit & Supervisory Board Members request the appointment of such employees to assist in their duties

The Company's Audit & Supervisory Board Members may delegate Internal Audit Department employees to serve as assistants during the execution of duties, when such assistance is required for the execution of duties.

8. Matters concerning the independence of employees who assist the Company's Audit & Supervisory Board Members from Directors

Audit & Supervisory Board Members will be asked for their opinions regarding performance evaluations and transfers of Internal Audit Department employees who assist the Company's Audit & Supervisory Board Members.

9. Matters concerning ensuring the effectiveness of instructions to employees who assist the Company's Audit & Supervisory Board Members

Employees who assist the Company's Audit & Supervisory Board Members shall follow the directions and instructions of the Audit & Supervisory Board Members exclusively, with respect to the assistant duties assigned by said Audit & Supervisory Board Members.

10. Framework for reporting to the Company's Audit & Supervisory Board Members by the Company's Directors and employees, framework for reporting to the Company's Audit & Supervisory Board Members by the Group companies' Directors, Auditors, and employees or persons who received reports from such persons, and other frameworks for reporting to the Company's Audit & Supervisory Board Members

- (1) When Directors or employees of the Group discover any facts that may cause significant damage to the Company, they shall immediately report such facts to the Company's Audit & Supervisory Board Members.
- (2) The Company shall establish the Compliance Hotline System as an internal whistleblowing system, under which the Group's officers and employees can report to or seek consultations with the Company regarding unfair practices and other conduct. Under this Compliance Hotline System, the Company shall specify the Company's full-time Audit & Supervisory Board Members as a point of contact for reporting and consultation, while the division in charge of the Company's Compliance Hotline System shall periodically report on the status of internal whistleblowing at the Group to the Company's Audit & Supervisory Board Members.
- (3) The Company's Audit & Supervisory Board Members shall cooperate closely with the Auditors of Group companies, through means such as exchanging information necessary for the execution of duties.

11. Structures for ensuring that persons who made reports mentioned in the preceding paragraph will not be treated unfairly due to having made such reports

The Company shall specify in the Compliance Hotline Rules that any unfair treatment of persons who report and consult on the grounds of reporting and consultation under the Compliance Hotline System is prohibited. In addition, the Company shall fully inform the Group's officers and employees that persons who have made reports using the Compliance Hotline will not suffer any disadvantage, through employee training and at other occasions.

12. Matters concerning policies regarding procedures for the prepayment or reimbursement of expenses arising from the execution of duties by the Company's Audit & Supervisory Board Members and other processing of expenses or liabilities arising from the execution of such duties

The Company shall appropriately and promptly process expenses or liabilities when each Audit & Supervisory Board Member makes requests with respect to expenses arising from the execution of the duties of the Audit & Supervisory Board Members, except in cases where such requested expenses are deemed unnecessary for the execution of such duties.

13. Other frameworks for ensuring effective audits by the Company's Audit & Supervisory Board Members

- (1) The Company's Audit & Supervisory Board Members shall exchange opinions with the Company's President & CEO and the General Manager of the Internal Audit Department, as appropriate.
- (2) The Company's Audit & Supervisory Board Members may receive advice from lawyers, etc., when deemed necessary for the implementation of the audit.
- (3) The Company's Audit & Supervisory Board Members may attend the meetings of the Board of Directors, as well as meetings of the Management Committee and other important committees, etc.
- (4) The Group's officers and employees will cooperate with surveys or interview requests received from the Company's Audit & Supervisory Board Members.

2. Basic Philosophy on Eliminating Anti-Social Forces and Status of Measures

1. Basic philosophy on eliminating anti-social forces (basic policies)

The Company adopts a basic policy in which the Company and each Group company shall take a resolute stance against anti-social forces, which threaten the peace and stability of civil society, and shall work to prevent transactions with such forces.

2. Status of implementation of measures to eliminate anti-social forces

(1) Implementation of internal rules

The Group defines confronting anti-social forces in the Mitsubishi UFJ Lease & Finance Group Code of Ethics and Code of Behavior, and the specific details thereof are stated in the internal rules.

(2) Division in charge of handling anti-social forces

The Group has established a division in charge of handling anti-social forces, and oversees the handling of anti-social forces while collecting and managing information concerning anti-social forces in a centralized manner.

(3) Cooperation with outside expert organizations

The Group works closely with outside expert organizations to handle anti-social forces, such as through consultations with the police and lawyers, etc., as necessary.

(4) Implementation of training activities

The Group positions the handling of anti-social forces as a critical compliance matter, and incorporates it into the curriculum of compliance training, which is conducted regularly.

V Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation

Not applicable.

2. Other Matters Concerning Corporate Governance Framework, etc.

The Company fully understands that the timely and appropriate disclosure of company information to investors forms the basis of a sound securities market. At the same time, in order to properly conduct prompt, accurate, and fair disclosure of company information from an investor's viewpoint at all times, the Company is working to enhance the internal framework, and has built the following framework to take an earnest and sincere approach to providing company information to investors in a timely and appropriate manner.

1. Internal framework for the timely disclosure of company information

The Company has established regulations for handling information disclosure to ensure the fair, timely, and appropriate disclosure of important management information related to the Company and the Group (hereinafter, "management-related information"), in accordance with relevant laws and regulations, including the Financial Instruments and Exchange Act and the Stock Exchange Timely Disclosure Rules.

The Group's framework relating to information disclosure, based on the regulations for handling information disclosure, is as follows, and departments in charge of disclosure, as well as a coordination department, have been established as organizations in charge of information disclosure, with each department tasked with the following matters. Please refer to the attached diagram for information on the framework chart.

(1) Departments in charge of disclosure (Corporate & Strategic Planning Department, Corporate Communications Department, Accounting Department, General Affairs Department, and other departments)

A coordinating department is specified for each disclosure matter, and the Corporate & Strategic Planning Department, Corporate Communications Department, Accounting Department, General Affairs Department, and other departments cooperate in preparing disclosure documents and contacting the relevant authorities, among other matters.

(2) Coordinating department

Information concerning matters for disclosure is collected with respect to management-related information designated by the departments in charge of disclosure. Events that should be disclosed shall be reported immediately, both to the executive officer in charge of the coordination department and to the President, and the departments in charge of disclosure are notified of those events.

2. Checking functionality of the internal framework for timely disclosure

The Company has established the Management Committee consisting of the Chairman, Deputy Chairman, President, Deputy President, Senior Managing Director, and Managing Director, under the Board of Directors, to control the execution of business by drawing up a specific execution policy based on the basic management policy determined by the Board of Directors. When the President deems it necessary, the President requests the attendance of the Senior Managing Executive Officer or the Managing Executive Officer in charge of the Corporate Center, as well as the head of the business division and the Senior Managing Executive Officer or

the Managing Executive Officer who is the head of the company, as members, at Management Committee meetings.

The Disclosure Committee has been established as an advisory body to the Management Committee for the purpose of deliberating on the appropriateness of information disclosure and the effectiveness of internal controls and procedures related to information disclosure.

The Disclosure Committee, which is headed by the executive officer in charge of the Accounting Department, consists of the General Manager of the Corporate & Strategic Planning Department, General Manager of the Corporate Communications Department, and other related general managers; in principle, its meetings are held four times per year, and in a timely manner, as the need arises.

Regarding reports requiring the Representative Director's pledge for the appropriateness of disclosures of information or other matters, the Disclosure Committee primarily deliberates the appropriateness of the information disclosure as well as the effectiveness of internal controls and procedures related to disclosures of information, and reports the results of such deliberations to the Management Committee.

[Internal Framework Chart Relating to Timely Disclosures by the Group]

