

MUFG Investors Day 2017

Main Q&A

Retail Banking Business

Q: Looking at European and American financial institutions with successful wealth management strategies, the key to success seems to be in developing experts (namely, private bankers). Could you tell us your thoughts on human resource development?

A: Currently, our highly skilled, professional human resources are scattered across our Group companies. This may be causing some inefficiency in our human resource development. I'd like to look into bringing these skilled professionals together to create a framework for more efficient personnel development. We're also thinking about reinforcing hiring from outside the Group, but we need to ensure that such talent can flourish within MUFG. This is an issue that takes time, but we aim to further develop into a team of highly skilled professionals, utilizing talent from inside the Group and out.

Q: Some have criticized banks' consumer finance businesses, particularly card loans, as leading consumers into heavy debt. Banks, however, are focusing on consumer finance as a revenue driver. What are your thoughts?

A: Card loans are an area where we are focusing, but the rates of delinquency and individual bankruptcy among our card loan users are low. As such, I don't think the issues you're talking about apply to MUFG. Also, the upper limit on our card loans is ¥5,000,000. This is lower than many other companies, in part to help ensure that our customers use the service in a sound way. Banks have also been criticized for relying solely on guarantee companies to screen applicants. At MUFG, however, we properly screen applicants within the bank, as well. I'm confident that our operations in this area are quite conservative.

Q: Please tell us how you plan to control the expense ratio over the medium

and long term, and how do you plan to utilize FinTech and artificial intelligence (AI).

A: With today's advanced information & communication technology (ICT) and banking services being increasingly accessed through smartphones, I think that the overall makeup of our business channels will change considerably going forward. That said, I can't yet say anything definite about when such changes will come to pass. I think the things to watch will be developments in ICT and changes in customer behavior patterns. With regard to the possibility of efficiency gains, we are looking into blockchain technology. Effective blockchain use may enable dramatic reductions in administrative center costs. MUFG coin is an example of blockchain technology that we are currently experimenting with, working to find ways to improve user convenience and reduce administrative costs. The use of MUFG coin is one of many things we are trying to cut expenses on a Group basis. However, blockchain technology is still young. We are still testing various approaches, so I can't yet say when we'll be able to put these technologies into practical use.

Q: What do you make of MUFG's top-line revenue? Going forward, do you think that conditions affecting the top line will ease at all, or are you assuming that current conditions will continue? And, given the current challenging environment, do you think it will be necessary to take more in-depth measures to improve revenue?

A: We are basing our discussions of forward-looking strategy and measures on the assumption that the current challenging conditions will continue. Our structural reform project is also being developed on this assumption. Some have said that our cost reductions are moving slowly, but we are still determining exactly what we want the Group look like in the future. I hope you'll give us a little more time. Once our approach going forward has been fully hammered out, however, we intend to pursue it at full steam.

Q: Do you expect the profitability and future potential of the housing loan business to shrink at all in the coming years?

A: Housing loans will continue to be an important product for us. Compared with other customers, those who have housing loans with us do more business with us overall. When a customer takes out a housing loan, our points of contact with that customer increase. The profitability of housing loans themselves is, admittedly, decreasing, but we are still securing a profit. Going forward, we hope to use housing loans as an entry point to meet a variety of customer needs. Of course, we are also aware that there is tremendous need for greater efficiency in housing loan administrative processes. We are considering such ways to address this as utilizing AI in applicant evaluations, consolidating administrative functions and implementing greater digitization.

Japanese Corporate Banking Business

Q: With the introduction of new Basel regulations, the risk weight of financing granted to large corporations may increase. How do you expect this to impact MUFG's lending business?

A: Neither the timing nor content of the new Basel regulations is certain yet, so we are not currently taking concrete steps to anticipate their impact. We are already implementing comprehensive return on risk-weighted assets (RORA) management for each of our customers, including strategic equity holdings. Whatever the new regulations turn out to be, our policy of working to improve RORA will not change.

Q: Please tell us about your progress in reducing strategic equity holdings.

A: The reduction of our strategic equity holdings is progressing smoothly. In the current fiscal year, we have already sold more than ¥100 billion of these holdings on an acquisition price basis, with even more sales agreements reached but not yet executed. When selling these holdings, we are often asked to carry out the sale over a certain period of time following the sales agreement. We expect to continue to steadily execute such sales. The holdings that really require our attention are those for which we have not yet reached an agreement, and we will strengthen efforts to reach

agreements for these going forward. In negotiating sales, it is important that we gain the understanding of the other party, and we are striving to carefully explain our stance so as not to negatively impact our existing business with such companies.

Q: I've heard that some banks are avoiding lending to overseas Japanese businesses because the lending spread for such businesses is low. How profitable is MUFG's lending to overseas Japanese businesses?

A: With domestic business not expected to grow immensely, we are looking toward overseas business to be the Group's growth engine. There is robust financing demand from overseas Japanese businesses, but competition is intensifying and spreads are shrinking. At the same time, foreign currency funding costs are rising. As a result, we are seeing some transactions with low profitability. However, from the perspective of the overall corporate banking business, it doesn't make sense to focus on the profitability of business in any one region alone. We have many customers with whom we enjoy strong overall profitability on a global basis, even if profitability in a certain area is low. Of course, this does not mean we are content to turn a blind eye to the profitability of specific transactions; we work hard to obtain reasonable spreads on each individual transaction.

Q: Reinforcing your settlement services business seems like an effective strategy to deal with the BOJ's negative interest rates. How is it going?

A: Our share of customs clearing has remained steady at around 40%. However, the overall volume of clearing transactions has fallen, especially in Asia, and this has caused declines in foreign exchange revenues and settlement service revenues. At the same time, competition from other banks is intensifying, causing greater downward fee pressure. However, on the whole, we are seeing some progress in the global transaction banking business both in and outside Japan. As a result of large-scale systems investment, the function of our products is catching up with that of foreign banks. In some cases, this has led to customers adopting our pooling and cash management services on a global basis, and we expect continuous growth. Overseas, we are hiring more experienced professionals and aiming for improvement.

Q: You mentioned that the bulk of expenses are fixed expenses, but please tell us more about how you plan to reduce them.

A: First is reviewing where corporate banking transactions are handled. Currently, corporate banking transactions are normally handled by normal career track employees. Going forward, we hope to actively utilize employees hired under the region-specific career track program (in charge of sales) that we launched in April 2016. Business with small companies has already been split off to a separate company. There, it is being handled by veteran bankers, and I think we may be able to make even greater use of the wealth of experience that these employees offer.

Second is eliminating redundancies. There are, for example, overlaps in sales and screening operations, and between the operations of different locations. Given this, we are looking for ways to improve efficiency within the Group. We are also considering ways to strengthen coordination between commercial retail banking and corporate banking. At our large locations, we are already conducting integrated operations. However, to achieve greater results in transactions with business owners, we need to further reinforce coordination between retail and corporate businesses.

Third is the use of IT. Much of our document preparation, administration and data management is done by hand and is very time consuming. By improving our internal systems, we hope to improve operational efficiency.

Q: How are you handling the gains on sales of strategic equity holdings in the Japanese Corporate Banking Business?

A: Gain on sales of strategic equity holdings counts toward RORA on a net-income basis, but not toward net operating profits. These gains are absorbed by the corporate center, and we are considering how best to use them.

Q: What is your profit plan for the infrastructure finance business? Also, could you give us any concrete details about what you're going to do with the open financial platform?

A: We have not yet hammered out a concrete future profit plan or timeline for the infrastructure finance business. Abenomics policies prioritize strengthening the competitiveness of infrastructure exports on a nationwide level; as one of Japan's leading banks, we hope to offer robust support on the financial front. We have not yet begun business using the open financial platform, so I can't yet give you any specific examples. I hope you'll give us a little more time.

Global Banking Business

Q: How does the top management of MUFG Americas Holdings Corporation (MUAH) view business growth prospects in the United States?

A: Going forward, we expect capital investment and consumption to expand, reflecting infrastructure investment and tax cuts. As a result, we think that business opportunities are likely to increase. That said, we are careful not to expect too much or be overly optimistic. While there are expectations that U.S. financial regulations will be eased in ways that benefit small- and mid-sized banks, the loosening of regulations designed to prevent money laundering and financial crimes is unlikely. There is a great deal of uncertainty, so it will be important to continue to carefully assess the situation going forward.

Q: Could you tell us about how you are controlling expenses?

A: Given the slow economic growth of the global economy, reigning in and reducing expenses is essential to sustainable growth. We are working to radically reduce expenses in the United States by such means as moving operations to low-cost areas, cutting outsourcing costs, organizational streamlining and consolidating locations. We are taking much the same angle in our efforts to reduce expenses in Europe and Asia, as well.

Q: What advantages does Krungsri have over Thailand's other major banks? And are there synergies?

A: Yes, we are seeing clear synergies with Krungsri. Krungsri has particular strengths in auto loans and consumer loans. In terms of auto loans, the integration of Krungsri and the BTMU Bangkok Branch has expanded access to Japanese dealers and boosted market share. Looking at consumer finance, thanks in part to the expertise of GE Capital, Krungsri has long had a relatively low non-performing loan ratio. With the addition of BTMU's know-how, Krungsri has continued to maintain a high-quality asset portfolio. Furthermore, in other operations, we've brought in risk management and compliance-related techniques from our business in Japan. Having a majority stake in Krungsri has also helped us to realize effective synergy.

Q: Under the new Basel regulations, and also to improve RORA, it seems like it will be necessary to scale back unused commitment lines. Could you comment on this?

A: We are in discussions with customers to reduce commitment lines. In our business in the United States, some of these lines are needed to continue developing business relationships. Given that and other factors, blanket reductions are not realistic. We are working toward certain target levels, but also balancing business, capital efficiency, risk management and other concerns.

Q: What advantages do you have in each region?

A: Our strengths are as follows. First, our network. Second, the excellent relationships we've built throughout our long history with governmental bodies and customers. And third, our people. In our business with global companies, we make use of the strength of our network. We have a wealth of experience in supporting the overseas expansion of Japanese companies, and our globally connected structure gives us an edge. We will continue to maintain good relations with regulatory bodies around the world. There have even been cases in which we got contracts thanks to the cooperation and support of the authorities in developing countries. We aim to be a top 10 bank in the United States and the leading foreign bank across Asia. Whether

in Europe, the United States or Asia, by providing high-value-added solutions, we aim to be the bank that customers call first and trust most.

Q: As you prepare to enter the last year of the medium-term business plan, how do you view results under the plan so far, and what are you planning for the final year?

A: When we created the medium-term business plan, we were expecting to grow in Asia, to grow while rationalizing and reducing expenses in the United States, and to reinforce our defenses and business fundamentals in Europe, where macroeconomic conditions would be challenging. Where things have turned out most differently from these expectations is Asia, with the exception of Krungsri. In China, due to slowing economic growth and stagnating trade, results have been below what we planned. Krungsri, however, has grown more than expected, as has our U.S. business. In Europe, our solutions business has seen greater than anticipated growth, chiefly in the U.K., Germany and France. Still, this progress has not been sufficient to make up for the gap from Asia. We are formulating our plan for the coming fiscal year to target growth in the United States and business recovery in Asia, mainly Southeast Asia, while keeping a careful eye on political and other conditions in Europe. We may not be able to surpass the targets of the medium-term business plan, but we are hoping to at least create a plan to surpass the preceding year's results and make improvements in terms of the expense ratio and RORA.

Q: What kind of risks do you envision? How are you preparing for them?

A: In Europe, there are a range of political risks that could impact business, including elections in several nations. We are bolstering our intelligence gathering, but we can't confidently predict how things will play out. Our risk management divisions are taking the lead in preparing to quickly respond when changes occur. In addition, it's important to consider the possible impact on emerging markets of changes in interest and exchange rates arising from growth in the U.S. economy and other factors. We are exercising caution in a number of ways. In addition to bolstering our capacity to deal with shocks in each country, MUFG is conducting stress

tests related to credit and liquidity risk on a macro- and micro basis. Furthermore, we are increasing our responsiveness to changes in financial regulations in the United States and elsewhere.

Q: What is your strategy for mergers and acquisitions going forward?

A: M&A strategy has to be considered not just by the Global Banking Business, but also at the corporate center. From the perspectives of growth initiatives and expanding our network, Indonesia, for example, is a candidate area for M&A, but investment regulations present difficulties. We are considering opportunities in other countries, as well.

Q: Could you tell us about the scale of the origination and distribution business?

A: Given the rising cost of foreign currency funding and upcoming international financial regulations, conditions aren't right for aggressive use of foreign currency risk assets. This means that we need to accelerate the origination and distribution business. Specifically, I want to accelerate a business model for underwriting as the lead arranger at the origination stage, managing our exposure through distribution to investors, and maximizing fees and commissions. In addition, in order to reshuffle assets, we will actively advance sales, securitization, and movement into bonds in the secondary market.

Q: With the rising cost of foreign currency funding, how much of an issue is securing foreign currency? Also, what progress have you made in the transaction banking business?

A: We plan to increase low-cost deposits, particularly liquid deposits. To increase checkable deposits, we must reinforce the transaction banking business. In Hong Kong, we introduced a new type of deposit product and succeeded in increasing checkable deposits. However, due to legal and system-related issues, there are regions where we have not been able to roll out similar products. On the flip side, however, this means that there is still room for growth in other parts of Asia. We have made excellent progress in

the United States, as well, and aim for further increases in high-quality checkable deposits through expansion into new areas and products. In Europe, to reinforce checkable deposits, we are working to introduce new deposit products and bolster our expert human resources. This business is still in the growth stage, but we are seeing solid progress.

Asset Management / Investor Services Business

Q: Please tell us about your initiatives related to dealing with and preventing conflicts of interest between banking and trust operations.

A. I assume you're referring to conflicts of interest arising from the exercise of voting rights. The exercise of voting rights for our strategic equity holdings is kept completely separate from asset management divisions. Because they are within the same company, though, we understand that there are legitimate concerns about conflicts of interest, and we aim to strengthen measures to separate operations. Specifically, we are looking into bringing in non-executive, third party perspectives to check the relevant processes.

Also, we are thinking of providing total openness as to the exercise of voting rights by asset management divisions, down to individual proposals. We think that this may be useful to show that they are voting based on the careful consideration of each proposal.

Furthermore, we are planning to establish barriers between personnel in banking and asset management divisions. For example, we plan to create barriers to personnel transfers, including better defining the rules preventing people in management positions above a certain level from moving to asset management divisions after working in banking operations for a certain amount of time. We are also going to introduce schemes to physically prevent employees of different divisions from being in the same rooms and to ensure that phone and email communications are preserved for later screening if needed.

Q: Do you think there is still room for reductions in the expense ratio?

A: The expense ratio in our domestic businesses is healthy, at around 60%.

Overseas, however, because costs in the investor services business have risen faster than revenues, the expense ratio is around 80%. We have not yet entered the phase in which profits will increase in this area. We have been acquiring the management divisions of asset management companies, but now that they are part of a G-SIB group, there are greater demands on their management. To deal with these, we are reinforcing mechanisms for handling such issues as cyber security, risk management, money laundering and compliance. We largely anticipated the need for these changes when we made the acquisitions, but they are costly. About a year and a half has passed since we acquired UBS, but it will still take a little longer to bring down its expense ratio. We aim to continue cutting costs in the investor services area.

Q: It seems like funds that rely on AI are just beginning to emerge in Japan. What do you make of them?

A: In Europe and the United States, AI is mainly being used for selecting investment targets as part of asset management. The AI introduced recently by Mitsubishi UFJ Kokusai Asset Management was developed based on the same basic approach. However, deep learning using post-facto analysis remains difficult and is the big hurdle going forward.

In terms of cost, I really can't say anything yet. However, smart beta products are increasing, and asset management companies are showing greater interest in cost reduction. In step with these changes, demand for outsourcing of back-office operations is growing, and we hope to seize the business opportunities this presents.

Q: Many companies have been implementing promotional campaigns to encourage the adoption of individual defined contribution pension plans (iDeCo). Could you comment on this?

A: Yes, many companies have been promoting these plans, including MUFG, which introduced a discounted plan. MUFG is distinguished by having the top share of corporate plans. As a result, we have an advantage in capturing individuals who were participating in a corporate plan, retired early and then need to switch to an individual plan. Recently, the range of eligible

participants for these plans was expanded to include government employees, full-time homemakers and other new categories. This presents a fresh market that all companies are rushing into at once, so we will do our utmost to seize the opportunity using a wide range of channels, including internet banking and corporate intranets.

Q. Do you think that your current organizational structures for investor services and asset management are ideal?

A: To give an example, the concerns that our corporate pension customers have are increasingly about not just the asset side, but the funding side, as well. In particular, when negative interest rates caused interest on government bonds to plummet, customers came to us for advice about how to handle things like the year-end discount rate, and I felt that we need to offer comprehensive responses to such inquiries. Addressing the distance between sales teams and product teams is a key point here. Traditionally, considerable unity between these teams was demanded in the pension business, but somewhat less so in non-pension businesses. And there are other factors to consider when it comes to individual customers. The product development and ideas needed on the management side are different from those for institutional investors. Approaching these issues in an integrated way is a key point.

Q: Please tell us your views on the current environment and your acquisition strategy with regard to global asset management. Also, in your global asset management, you are making minority investments, but are you considering making any majority investments?

A: When we formulated the current medium-term business plan, we planned to use ¥200 to ¥300 billion for acquisitions focused on investor services and asset management. We've already used about ¥80 billion, mainly for investor service-related acquisitions. Thinking about our global business, we have a bit of a gap in the United States. Over the last two or three years, U.S. asset management companies have changed considerably. The major companies are generally growing, but boutique companies require more careful examination. However, we've had a hard time finding promising

potential investments in the United States. We are considering not just active management companies, but also companies with smart beta products. These considerations lead to discussions of whether we should really make minority investments. Going for a majority typically means paying a lot for goodwill, so we will continue to assess investment opportunities with that in mind.

Q: I'd like to ask about consolidating Group management resources. In the Asset Management / Investor Services Business Group, what are you doing to consolidate resources across business groups and other entities?

A: The key issue is how we can provide our products and solutions to the customer bases of the Retail Banking, Japanese Corporate Banking and Global Banking businesses. Specifically, how we can act most effectively. The task with regard to retail banking is finding effective ways to help with wealth management, which will be an important area going forward. For international banking, as MUFG expands into new locations, we are looking at ways to use sales channels in the United States, Europe and Asia to sell our products. We have been working with the Japanese Corporate Banking Group for over a decade, mainly on pensions, and maintain excellent communication.

Global Markets Business

Q: With regard to MUFG's collaboration with Morgan Stanley, are you planning any revisions to your investment ratio in the joint ventures in Japan or their businesses?

A: Mitsubishi UFJ Morgan Stanley Securities and Morgan Stanley MUFG Securities are able to avoid business conflicts. We are not planning to revise our investments in these companies.

Q: I'd like to ask about banking interest income. In Japan, with interest rates staying negative, it's difficult to generate much interest income. At the same time, rates are rising in the United States, so increasing debt balance seems

unlikely. Given that interest income, both in yen and foreign currencies, is under downward pressure, how will you make up for this decline going forward?

A: Generating interest revenue on a yen basis is extremely difficult. We are a bank with excess deposits. Until now, we have endured by allocating some deposits overseas. But, as you point out, it's difficult to secure a profitable position in the current environment. Speaking from experience, interest rates tend to move on a nine-month cycle, but it's hard to predict where markets will go under the Trump administration, and the outlook for the recovery of revenue is unclear. If the Federal Reserve raises interest rates as expected, net interest income from loans and deposits in foreign currencies could recover significantly, somewhat alleviating the negative effects on interest revenue that we've been seeing. While U.S. interest rate changes are pending, things are difficult. Interest rate hikes themselves, though, are basically positive for us.

Q: According to your disclosure materials, you still have a balance of U.S. government bonds. Have you reduced your effective exposure through swaps or other means?

A: We've cut our balance of Treasuries by about half from its peak, but not eliminated it altogether. The Global Markets Business manages some of the risk associated with strategic equity holdings; our Treasury holdings also serve as a way to help control unrealized gains from such holdings.

Q: How do you think the business of the Global Markets Business Group will change in light of the current interest rate environment? For example, revenues from sales and trading (S&T) and banking are about equal now, but do you think that will change? Do you think that the share of MUFG's overall profit contributed by the Global Markets Business Group will change?

A: I think you're referring to the decrease in interest earnings in step with portfolio shrinkage. We are seeing a decrease, but we're not giving up on contributing to MUFG's overall profit. As I said before, changes in interest

rates could give us room to act. The worst scenario for us would be if interest rates remain flat. The expected net operating profit from the Global Markets Business Group has been around ¥150 to ¥200 billion each six-month period. The drop in interest revenues has been significant, but I still hope to aim for this level.

Q: Given that ten-year yields on Japanese government bonds (JGBs) have risen above zero, how do you plan to control MUFG's current accounts at the Bank of Japan going forward?

A: Our deposits have been steadily growing since the introduction of negative interest rates. We are managing them to avoid having any balance subject to the negative policy rate, but they are generating costs, including deposit insurance. We have not yet found a good use for our excess deposits. We are investing part of it in foreign bonds by raising foreign currency using JGBs as collateral, but there is a limit to the amount that we can do this with. For the time being, I don't think we can avoid increasing the balance of our current accounts at the Bank of Japan.

Q: How have your operations been affected by the market rally since Trump was elected? Is there any possibility that you'll move more assets into equity?

A: Our baseline scenario was one in which Clinton won, and the Federal Reserve gradually raised interest rates by consensus. We thought that if Trump won, we'd see a risk-off market with movement toward bonds. The result was the opposite, but we had significantly reduced our position before the presidential election. The market changes have been within the scope of our risk assumptions, and we have been able to maintain control through normal risk management processes. As for equity risk in stocks, we already have some in the form of strategic equity holdings. It's difficult to envision taking on more equity risk; in fact, we are now working to reduce risk.

Q: Please tell us about your approach to S&T revenue. Revenue from funding-related derivatives is mostly falling, but I understand that your

business with domestic investors is stable, and that, overseas, you are even investing additional management resources, including people.

A: In Japan, results are flat regardless of how hard we push. Although Europe and the United States are mature markets, primary market-related S&T is likely to continue growing there for some time. The biggest question is Asia, where we were late to the game. We have succeeded in building a platform and now have the framework in place to provide products. Revenues are beginning to rise, including those of our business for investors. I think that we are positioned to perform favorably against the targets of the medium-term business plan.

Corporate Governance

Q: What do you see as the differences in governance between standard corporations and banks?

A: I think the basic pieces are the same insofar as how they fit into the framework of capitalism. Perhaps the biggest difference is that MUFG has an especially great social responsibility. MUFG can't just chase profit at full throttle; we have to always be aware of our social responsibility. If MUFG were to ever go off the rails, it could negatively impact the entire Japanese economy.

Q: What do you feel are the strengths and weaknesses of MUFG's corporate culture?

A: When you dig deep into management's debates and discussions, you arrive at corporate culture. I feel that there is great strength in MUFG's corporate culture. Of course, it has its good and bad points, but they're often two sides of the same coin. If you think about what makes a good company, one of the most important things is social trust and confidence. Trust and confidence are at the foundation of finance, too. MUFG has a culture of carefully maintaining such trust. The flipside of this is that it means being very conservative. The development of corporate culture is difficult. The

important thing is to keep the good parts while reinforcing weaknesses.

If I had to name one concern I have, it would be ensuring that employees have a healthy sense of crisis. As IT and market environments dramatically change, the partitions between all kinds of industries are disappearing. It will be crucial to hold onto strengths while adapting to changes with maximum speed and flexibility.

Q: Please tell us about how you determine the business portfolio.

A: We have wide-ranging discussions. MUFG is a holding company for companies engaged in multiple lines of business. It is vital to maintain the right balance within the business portfolio. BTMU, our commercial bank, is strong relative to the other businesses and generates the greatest profit. It also boasts a wealth of human resources and a very solid customer base. So it makes sense to think of BTMU as the core of the Group. At the same time, given the rapid changes in the business environment, we must avoid over-reliance on commercial banking, anticipating the future even as we act in the present.

Q: As an outside director, what do you see as MUFG's risks?

A: The greatest risk has to do with how radically MUFG will be able to reform itself and innovate, given the harsh domestic business environment. Also, the overseas portfolio is also quite large, especially in the United States. A portfolio with a large overseas component can be advantageous, but also presents risks. Both of these risks are tied to two major tasks facing the Group. The first is human resource development. Overseas operations are increasing, and at the same time, domestic operations are changing in ways that increasingly preclude simply extending and adapting past ways of doing things. To deal with this, the Group has to reform and innovate. This may mean that the current stable human resource mechanisms have to change. The challenge is to nurture people who are equipped for the evolving operating environment. The second major task is systems investment. Financial institutions that do not invest in systems do not survive. As the Group operates globally, it must build world-class systems.

Q: What do you think is the role of an outside director at normal, non-crisis times? When a company has a governance crisis, expectations for outside directors are greatest. With MUFG, it seems like it might be fine if you were positioned inside the company. Also, in the Nominating and Governance Committee, what do you think about going against candidates being pushed from within the company?

A: I think that outside directors are absolutely necessary, regardless of the state of the company. The extra diligence and effort to do things right when you know that someone from outside is watching is crucial. Most of the governance problems we're seeing in Japan are actually happening in normal, non-crisis times. I'll grant you that MUFG hasn't had many such issues, but the executives in top management take the opinions of outside directors seriously.

An outside perspective is also needed in the Nominating and Governance Committee to help ensure it keeps up with changes in society and to create succession plans. It's important to select someone who fits the needs of the times, and to be transparent with employees and other stakeholders. Whether things at that moment are going normally or not is beside the point. I think the only way that this process might really be different depending on whether things are normal is that, in times of emergency, we might not be able to find someone within the Company, and instead bring in people from outside.

Q: What will MUFG need in order to thrive 10 years from now?

A: There's no guarantee that MUFG's business portfolio 10 years from now will look much like it does today. I think the important thing is to constantly consider how best to reshuffle it in light of social and economic changes, and how best to balance short- and long-term perspectives. If you focus too hard on what's ahead, you risk tripping over the issues right in front of you. One major task for us will be managing the ratio of domestic and overseas business. I'm sure the proportion of overseas business will continue to grow, but I think our base should always be Japan. I think we should perhaps give a 50% weight to our domestic business. Overseas business presents risks, particularly when it comes to factors that are hard for us to see from our

Japanese perspective. Because we are a Japanese company, it's important that we keep Japan as our business base. Also, where to strike the balance between individual and corporate customers is a big question in terms of business portfolio strategy. And finally, developing human resources and building systems based on our business strategies will also be important. These are the major things to consider when looking ten years down the line.

Q: How are outside directors selected? What functions do you currently feel you need or want to strengthen? Also, some overseas companies invite personnel from their competitors to serve as external directors. Do you think this could happen in Japan? And do you think it would be useful?

A: I think that MUFG has a good overall balance of outside directors. When selecting outside directors, we don't focus on "who," in terms of names, but on what kind of person is needed for the position, looking to strike a good balance in terms of background and experience. As a point to strengthen, I've asked that we try to bring in non-Japanese outside directors. I think it's necessary in light of how global MUFG's business has become. MUFG's Advisory Board has an excellent international composition. I think that outside directors should be next. I would also like to see non-Japanese personnel in business execution roles. As for accepting outside directors from other companies in the industry, it's very common overseas, and I think it's a positive thing. I don't know when exactly, but I think it may be possible for Japanese financial institutions in the future.