

Small Meeting with Directors Hirofumi Nomoto and Tarisa Watanagase Main Q&A

Q. Reflecting on the three years of the current Medium-Term Business Plan (MTBP) period, how would you evaluate the performance of Group CEO Kamezawa and MUFG's top management?

A. Director Nomoto: The current MTBP started during the COVID-19 pandemic, but the structural reform and growth strategy steadily yielded results. Group CEO Kamezawa led the transformation of corporate culture, and MUFG's culture is changing. In the overseas strategy, I was impressed with the successful sale of MUFG Union Bank (MUB). The management team has a strong sense of agility and takes ownership of issues. They also focus on employee communication through town hall meetings, and efforts like these have led to achieving results.

Director Watanagase: Group CEO Kamezawa and the management team focused on implementing the business strategies and corporate reform and achieved steady growth. I commend the successful closing of the sale of MUB. Transformation of corporate culture and cost reduction are progressing steadily, and an atmosphere exists to challenge new things. Management recognizes that agility decision-making is critical to accelerating the transformation. Furthermore, Group CEO Kamezawa has set the direction for the company under transparent leadership and has communicated this to the employees.

Q. Considering the current three-year MTBP, what is MUFG's management issue? How are you involved in establishing the next MTBP?

A. Director Watanagase: I have been involved in establishing the next MTBP from a very early stage, asking questions and making proposals. The topic of discussion at the board meeting is not limited to the next MTBP. It extends to various themes, including long-term business development and identifying issues to help achieve the medium- to long-term ROE target (9-10%). The business environment for the next MTBP period will differ from the current period, such as the exchange rate conditions with the interest rate rising in Japan and falling overseas. We must steadily capture profit opportunities arising in the new environment.

Director Nomoto: In the past, proposals from outside directors on establishing MTBPs were somewhat limited. We have reflected on this and have been more involved in the next MTBP discussion. The issues identified at the start of the current MTBP were the low ROE, high expense ratio, direction of the U.S. business strategy, NICOS systems integration, and focus on wealth management. Certain results have been achieved on these. During the next MTBP period, we would like to embrace the changing era as an opportunity to overcome issues. The challenges going forward include considering how to leverage MUFG's strength to develop the credit card business and preparing for U.S. interest rate

cuts, FX volatility, and geopolitical risks with a clear vision.

Q. What needs to be improved in MUFG's governance, and what are the issues?

A. Director Nomoto: MUFG's governance system is built very well. The effectiveness of the Board of Directors is evaluated annually, and the results are used for improvement. The FY2019 evaluation identified issues such as the outside directors' proposals on management issues not leading to solutions. However, they have been gradually resolved in the past five years. MUFG engages in various businesses, and the outside directors' understanding is deepened through educational sessions and meetings with the top management. We are involved in a wide range of discussions. In addition, diversity in the composition of the Board of Directors has improved, with two overseas and four female members among the eight outside directors as of now. On the other hand, the diversity of inside directors must be steadily accelerated.

Q. How would you evaluate the current sustainability initiatives by MUFG, and what are the issues?

A. Director Watanagase: The initiatives are headed in the right direction since the MUFG Carbon Neutrality Declaration. MUFG has been actively participating in creating international frameworks, establishing medium-term targets for GHG emissions reduction by the high-emissions sectors, and enhancing disclosure through the progress report. Regarding engagement, MUFG has been in active dialogue mainly with high-emissions sector customers and has made policy proposals through the Transition Whitepaper. There is heightened interest in climate change in the Asia region outside Japan, and MUFG already plays a vital role in the financial sector of many Asian countries. Presenting MUFG's plan and facilitating further transition will be critical going forward. In addition, promoting diversity at the employee level is an important issue. Securing the work environment for employees with different experiences and skills has been progressing, and external evaluations such as PRIDE indicators for our efforts in LGBTQ initiatives have been obtained, but further initiatives are necessary.

Q. The number of directors is to return to sixteen. Is there a concern that this is too many? What is your opinion on the continuous appointment of the top management of the bank, trust bank, and securities as directors?

A. Director Nomoto: Nine of the sixteen directors are to be outside directors, and the outside directors will continue to play a central role in the operation of the four committees. I consecutively serve on the Nominating and Governance Committee and the Compensation Committee, and some directors are fulfilling their responsibilities while consecutively serving on three committees. The sixteen-member structure is not excessive. Furthermore, the board discusses the direction of each entity, and the presence of the top management

from the bank, trust bank, and securities enables operation with a sense of ownership. As enhanced added value is required through deeper cooperation among the entities, developing new products and services based on the discussions at the board meeting will be essential.

Q. How would you evaluate the business strategy in the Asia region? Is the expected potential being realized through the investment in the partner banks (PB)?

A. Director Watanagase: MUFG's Asia strategy is undoubtedly the correct approach. Southeast Asia, with a population approx. 700 million, is a huge market with high growth potential. The higher ratio of the younger generation means digitalization in mobile banking, consumer finance, and customer contact points will accelerate. MUFG is expanding the Asia business in collaboration with PBs, and business expertise and prospective profit opportunities are shared between PBs and with Japanese entities. Asia will continue to be an important region for MUFG, not only in terms of business strategy but also from the perspective of financial strength.

Q: What is your view on the pace of reducing equity holdings?

A. Director Nomoto: Under the current MTBP, the equity holdings reduction target (acquisition cost basis) was raised from the initial JPY300 billion to JPY500 billion, positioning it as an important management issue. Further reduction will involve factors such as the relationship with the business partners, but we will promote reduction with urgency, reviewing the significance of the holdings from various perspectives.

Q. What roles do you play for MUFG as an outside director?

A. Director Watanagase: The Board of Directors comprises diverse members, producing very effective synergies. A proposal by one director can lead to new awareness and different proposals by other directors. For example, I provided advice on diversity initiatives, mainly on female participation, leveraging my experience as the only female Governor of the Bank of Thailand. From my experience in leading an organization, I'm also contributing by making proposals on creating an environment that enables the exchange of frank opinions and the method of communicating the thoughts of the management to the employees.

Director Nomoto: I have focused on customer-oriented business development throughout my career. At board meetings, I consider what type of financial institution MUFG should be from the perspectives of the customers and the management. By exchanging opinions based on diverse backgrounds, we raise each other's awareness and generate new ideas.

Q. What discussions are being held among the outside directors on raising the medium- to long-term ROE target (9-10%)?

A. Director Nomoto: As the likelihood of achieving the 7.5% ROE target for the current

MTBP increases, the medium- to long-term target should be revised higher. However, specific figures have yet to be discussed.

Q. How do you evaluate KS's latest performance, and what is your view on its future management strategy?

A. Director Watanagase: KS has an excellent track record. When MUFG made the initial investment, it was the No.5 bank in Thailand in terms of asset size, but now it is positioned as one of the domestic systemically important banks (D-SIB). The synergies between KS's existing domestic business platform focusing on retail banking and the global business base of MUFG significantly impacted this growth. The mobile banking market in ASEAN member countries, including Thailand, grew faster than Japan, but the competition to lower fees has been intense. Furthermore, the Thai economy has been sluggish for several years, so overall credit costs are increasing, although this is believed to be temporary. Under this environment, KS has maintained a relatively strong position.

Q. What is your view on enhancing corporate value? PBR has improved significantly in the past year, boosted by the results of MUFG's initiatives and the change in the macro environment. As outside directors, how do you think the capital market is assessing MUFG's corporate value?

A. Director Nomoto: At the time of my appointment, MUFG's PBR was around 0.5x, and the low market valuation was an issue. The earning capacity improved under the current MTBP, and we expect to achieve the 7.5% ROE target and aim higher for the next MTBP. Explaining how MUFG will evolve as a reliable and trusted platformer and how the corporate value will be increased with a financial institution's "connecting" function will boost investor expectations for medium- to long-term growth potential. It will be reflected in the share price. Outside directors could engage in the discussion and share our vision in preparing the next MTBP.

Director Watanagase: Market valuation is positive, with the PBR reaching 1.0x. The "earning capacity" is steadily improving, and the revenue structure is diversifying. ROE and cost control will be important factors in further strengthening corporate value. Improving the ROE requires growth in each area, and establishing and implementing the correct strategy will be critical. Cost control is being implemented through cost reduction and productivity improvement through digitalization. In addition, improving capital efficiency through a further decrease in equity holdings is essential.

Q. What is your view on the status of corporate culture transformation? Is it being accelerated by proposals by outside directors?

A. Director Nomoto: Cultural transformation takes time. Today's MUFG was created by integrating multiple financial institutions, so transforming the culture at once would have

been extremely difficult. The significant progress made in the past several years results from promoting the transformation under the solid leadership of the top management. Emphasis on agility requires further acceleration in decision-making. To this end, each employee must accumulate many experiences and be interested in world events. Cultural transformation is an eternal issue for a corporate and requires constant new initiatives.

Director Watanagase: Agility is critical for an organization's success, and the management team is aware of this. More specifically, the reforms are making visible progress in simplified decision-making processes, streamlined reporting lines, and delegation of authority. Furthermore, management team discusses initiatives based on employee surveys and such activities have been reported to the Board of Directors. We are making steady progress toward a flexible organization. There had been rigid “customs” such as employees not voicing opinions to the top management, but we must relax and flexibly implement the transformation. Active investment in reskilling to enhance the employees’ abilities and recruitment of external experts has increased. These reforms will also create excitement and improve organizational flexibility.

Q. On the effectiveness of the Nominating and Governance Committee, how are issues such as the change in top management being discussed?

A. Director Nomoto: Four of the five Nominating and Governance Committee members are outside directors. Top management requires many abilities, including communication skills to share the vision with others, decision-making, responding to risks, expertise, and stress resilience. Candidates selected based on these criteria are interviewed, including by myself, and ultimately approved by the Board of Directors. Creating a framework to review the past initiatives by the top management is also important for ensuring business continuity. Top management should not be simply replaced after a certain period. Appointing the best candidate and rejuvenating the organization is essential.

Q. Can you provide an example of a board meeting where the inside and outside directors expressed different opinions, ultimately leading to a good result?

A. Director Nomoto: Outside directors can state severe opinions at the board meetings. The critical role of the outside directors is to present open arms and provide encouragement. For the sale of MUB, inside directors could not decide to sell, and outside directors gave encouragement. Inside and outside directors will continue discussing issues, including the future roles of MUFG, platform investments, and formulation of new payment platforms.

Q. How are outside directors involved in selecting the agenda for the board meeting?

A. Director Nomoto: An outside directors’ meeting is held after the board meeting. At this meeting, we gather opinions about the Board of Directors, discuss the agenda for the next meeting, and discuss the board's functions. In addition, we established a meeting this fiscal

year with the CEO, chairman, and outside directors, creating an opportunity to gain deeper insight into management issues. Communication with the executives has become smoother through these improvements.

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