Initiatives for addressing ESG issues

Main Q&A

Part1: Environment & Social

Q : Could you specify the areas where MUFG is at the vanguard in terms of addressing environmental, social and governance (ESG) issues? Please also cover the Company's related strengths and weakness in these areas, in addition touching on the areas where MUFG may be lagging.

A : Let me begin with MUFG's strengths. We have carefully analyzed global issues identified by the United Nations SDGs as well as social issues unique to Japan. We have sought to understand the relationships between those issues and the business fields where MUFG boasts a competitive edge. By doing so, we have clearly specified priority environmental and social issues that MUFG must address in business fields where we boast a longstanding track record and are equipped with deep-seated expertise.

That said, when we look at our global peers, it is widely recognized that, in terms of ESG-related initiatives, European and U.S. banks currently hold a lead over Japanese banks. European banks are particularly progressive. More specifically, we believe that MUFG somewhat lags its European and U.S. counterparts in terms of information disclosure and the number of business sectors specifically covered by environmental and social policies.

Q : Page 7 of the presentation material concretely outlines MUFG's strategy aimed at addressing these issues, but what value do you aim to create over the medium to long term? Do you intend to set quantitative targets going forward?

A : As you have pointed out, we believe that we should identify long-term targets to achieve over the course of our ESG-related initiatives. Although it may be difficult to assess the outcomes of these initiatives with simple and clear numerical targets, such as profit ratios or KPIs, we think that over the long term we need to specify KPIs for each business field and thereby maintain a consistent approach in our longstanding initiatives.

Q : There is a slide in the presentation material which describes MUFG's approach toward the financing of coal fired power generation projects. It concludes that the Company started to review its existing framework with the goal of pursuing enhancement of the policies. Could you explain whether this review is leading to changes in the composition of MUFG's project finance (PF) portfolio? Also, how will this move affect profit and loss?

A : Although we have publicly released our policy for the financing of coal fired power generation in the MUFG Environmental and Social Policy Framework, we are reviewing it to determine how it could be further developed. Once completed, the revised policy will reposition financing for power generation projects adopting low-efficiency technologies, including those employing super critical (SC) and sub critical (Sub-C) technologies. Our PF portfolio would change accordingly. Currently, projects adopting ultra-super critical power generation technology and other technologies with higher efficiency account for 3% of our entire PF portfolio. The portion of power generation projects adopting low-efficiency technologies, including SC and Sub-C power generation facilities, accounts for 2%. We expect this 2% portion to gradually decrease as we progress with this framework review.

We currently have limited number of projects associated with low-efficiency power generation facilities to be financed. Accordingly, we believe that the impact of this change in PF portfolio on profit/loss will be insignificant.

Q : Please discuss the primary factors contributing to the growing balance of financing for renewable energy projects. Also, what factors are responsible for the decrease in the non-performing loan (NPL) ratio?

A : MUFG has been a forerunner in terms of financing for renewable energy projects since the early 2000s, when this kind of investment market began to emerge. Having gained abundant experience in this field, we now have deep insight, including how to effectively structure hedges against potential issues highly specific to renewable energy projects. Along with these strengths, we believe that our pursuit of global expansion helped us raise the balance of financing for renewable energy projects. Moreover, in countries around the globe some external factors have led to positive changes in the operating environment. For example, the impact of the Paris Agreement has been significant.

The decline in the NPL ratio is attributable to the stabilization of repayments by and the normalization of some borrowers. These are mainly countries in southern Europe that had previously been classified as NPL borrowers.

Q : With regard to corporate loans, I assume that it may be hard to clearly determine fund usage and accordingly make distinctions between borrowers. Are you currently considering applying the financing criteria you have established for coal fire power generation projects to the field of corporate loans?

A : Not only do we apply these criteria to PF, but we apply them to other financing for capital expenditures to coal-fired power generation facilities. We apply the same criteria to our corporate loans when we identify that the use of proceeds directed toward such projects.

Q : MUFG's policy of adjusting its approach based on each country's conditions will not necessarily be compatible with the CO_2 reduction targets under the Paris Agreement, which was established employing a macro perspective, and may not lead to total optimization. Could you elaborate on MUFG's concept of adjusting and localizing its approach, and on how far it intends to go with this?

A : First off, we are aware of the fact that even the sum of expected reduction in CO_2 emissions, based on the nationally determined contributions set forth by all participating countries, is not enough to achieve the 2°C Scenario proposed in the Paris Agreement. Nevertheless, it is undeniable that the whole international community is leaning toward CO_2 reduction. Accordingly, we expect that reduction targets will be subject to negotiations and be revised, probably upward, to address shortfalls in the current targets.

Take Indonesia, for example. The country aims to reduce its overall CO_2 emissions by 26% while at the same time promoting annual economic growth of 5% in an effort to reduce the poverty rate from 11% to 4%. The pursuit of this economic growth target will inevitably result in increases in energy and electricity demand. Since the SDGs identify "No Poverty" as Goal 1, we believe that government-led initiatives to reduce the poverty rate deserve MUFG's assistance and are as socially significant as climate change countermeasures. With this in mind, we intend to maintain a balanced approach toward our initiatives to assist each country's government in its pursuit of CO_2 reduction targets

Q : What are your future plans on handling coal-fired power generation and response to climate change in relation to asset management?

A : As described in page 13 of the presentation material, our Environmental Policy Statement and our Environmental and Social Policy Framework identify "Prohibited Transactions" and "Restricted Transactions" in terms of financing offered by MUFG. Financing specifically refers to the extension of credit and the underwriting of bonds and stocks. Last year, we engaged in extensive discussion to formulate these standards while referring to and comparing practices undertaken by other G-SIFIs. We have concluded that we will start with this scope.

We also know that the relationship between our asset management business and coal fire power generation has become subject in terms of ESG. Although we are acutely aware of this issue, we are currently engaged in discussions with regard to what we must do and are not yet positioned to provide you with more specific details.

Q : Please tell us about the status of MUFG's initiatives associated with the Task Force on Climate-Related Financial Disclosures (TCFD). What present challenges is the Company confronting and what are your future plans with regard to priorities in this field?

A : To practice the TCFD's recommendations, we refer to pilot projects undertaken by the United Nations Environment Programme Finance Initiative (UNEP FI) while carefully estimating their possible impact on our customers and society. In short, we are still discerning the best path forward in order to respond to this framework.
Looking ahead, we will define our carbon-related assets and thereby push ahead with the disclosure of relevant information, with an eye to updating the TCFD-related article featured in our integrated report that will be issued next year. Although we are not yet able to announce a precise schedule for the disclosure of our targets associated with scenario analysis, risks and opportunities, we are determined to consistently step up our disclosure practices on a periodic basis.

Q : How do you combine the financial perspective and the ESG-centered perspective in MUFG's performance evaluation system? Doesn't this present a conflict of interest?

A : The "Eleven Transformation Initiatives," for example, include our initiatives associated with Asset Management and Wealth Management business. Targets for these initiatives have been determined with an eye to addressing environmental and social issues. Not only do we assess the quantitative achievement of profit targets by each business group, we also qualitatively assess whether each initiative is advancing in line with the expected course in light of the objectives of our structural reforms. We will thereby determine whether or not our profit targets are met. Although we have not experienced a conflict of interest attributable to this approach, there have occasionally been cases where initiatives didn't work entirely as planned. Therefore, we will regularly review our initiatives while pushing them ahead.

Q : A page of the presentation material describing the MUFG Environmental and Social Policy Framework provides us with MUFG's approach toward other environmental issues, including the use of palm oil. However, there are also particular industries, such as nuclear power generation and military and defense equipment manufacturing, that are held in a negative light by some European banks. If MUFG were to reconsider its stance toward these industries, isn't the Company going to be entangled by such factors as its equity holdings in customers operating in these industries and its origin as a former constituent of the "zaibatsu" conglomerates?

A : Currently, in-house discussions are under way to determine how to deal with nuclear power generation and military-related industries. We realize that some people might urge

MUFG to introduce a new policy restricting association with these industries, especially when they apply a short-term perspective and compare the Company vis-à-vis other G-SIFIs. However, we believe that MUFG is not necessarily called upon to apply a complete, blanket restriction. As well as our need to give due consideration to the conditions prevailing in each country, we also have to be aware of the possible impact of such restrictions on the overall business sector and our customers. While we think that maintaining a medium- to long-term perspective and taking a realistic approach is essential, we believe that there are no clear-cut answers in this area and that’s why we are now tackling the challenge of defining our stance. Looking ahead, we will engage in ongoing discussion to shape the best approach for MUFG, incorporating stakeholder feedback and opinions in the process.

Part2: Governance

Q : Could you share your views on MUFG’s strategy in Southeast Asian countries? MUFG is currently expanding its businesses by way of M&A to capture local growth opportunities in Thailand and Indonesia. On the other hand, analysts as well as investors, often express concerns that the credit cycle will soon change or about the typical risk arising from emerging countries. From the viewpoint of an outside director, how do you view the steps MUFG is taking to prepare for these risks? And how do you assess this preparation?

A : (Tarisa Watanagase, Member of the Board of Directors) Southeast Asia is a very strategically important region equipped with significant growth opportunities, and there are several drivers. It has a large population and a big market. Also, there is an ongoing expansion of the middle class and urbanization. This region also has a relatively stable political situation and relatively sound economic management. Especially since the Asian financial crisis, many countries have made progress through some major reforms, both economic and financial. All these facts point to my assessment that this is a great region with a lot of potential going forward. So, MUFG’s strategy to expand to establish a strong foothold in this part of the world is definitely the right approach to go, and I strongly support that.

Now, turning to the aspect of the changing credit cycle, I certainly can understand why some analysts are very much concerned about this issue. As the interest rate is rising in developing countries, increased debt may naturally cause concerns about financial stability. However, South Asia is very resilient in terms of economic and financial systems. Because of the lessons learned from the Asian financial crisis, a number of countries have been through some major reforms. Debt is not high, both government debt and private sector debt. The debt-to-equity ratio for example in Thailand is about 2 times, compared to pre-crisis when it used to be 7 or 8 times, thus indicating a significant improvement. So you can see a drastic change in terms of risk awareness and risk management.

Although many countries in Southeast Asia, including Thailand and Indonesia, are equipped with quite resilient economic and financial systems, MUFG is not complacent about this situation. The Company has been preparing itself very well. Expanding a foothold in the region is a mid- to long-term issue, whereas, responding to the changing credit cycle is more or less a short-term matter. We have to strive to succeed in both. In terms of expanding the foothold, I would like to point out that MUFG has done an especially good job in targeting the right institutions for M&A. The Company's management focuses on identifying the right target with matching cultures, similarities in business operations and great potential going forward.

Krungsri, for example, right now is coming up to No. 5 in Thailand, but it used to be a mid-sized bank. Also, Thailand is the gateway to ASEAN countries, providing MUFG with easy access to other market regions in the bloc. Krungsri also boasts robust expertise in specific fields. Bringing together Krungsri's expertise and MUFG's global bank expertise, we have thus yielded extremely positive results.

For the short-term credit cycle issue, we have a proper risk management system in place. Not only does MUFG pay attention to credit risk, the Company exercises the comprehensive monitoring of all types of risks, including liquidity risk, while taking a prudent approach in its pursuit of business operations.

Q : We would like to hear your views on synergies between MUFG and MUFG Union Bank, N.A. Is there something that MUFG can learn from MUFG Union Bank? On the other hand, what competitive advantages is MUFG Union Bank enjoying, as a U.S. bank, by being a wholly owned subsidiary of MUFG?

A : (Toby S. Myerson, Member of the Board of Directors) MUFG is yielding about 40% of customer segment revenues from activity outside of Japan, and about half of that, or 20% of customer segment revenues, is in the United States. Therefore, growth in the United States is going to be very critical in terms of the Company's medium- and longer-term strategy.

The United States is an environment where best practices in corporate governance are being developed. That occurs for a variety of reasons. Putting shareholder relations at the top of the board's agenda is commonplace. Maximizing shareholder value is the watchword of the directors' duty. Moreover, there's a lot of litigation in the United States, so directors feel compelled to adopt and implement effective governance practices. Because that's the case, my own personal view is the United States is a leader in corporate governance practices. My role is to help implement the country's best practices at MUFG Americas Holdings Corporation (MUAH) and MUFG Union Bank, as well as to share some of approaches with my colleagues at MUFG's Board of Directors. I also intend to engage in active discussions on how we globalize the governance of MUFG. In short, I think that my dual-hatted role, serving as both a director of MUFG and MUFG Union Bank, is helping to create considerable synergy. I also think that the better information flow between the two boards is leading to even greater synergy.

MUFG Union Bank has two major sectors to its business. One is a regional bank strategy focused largely on consumers, middle market business and commercial lending in the western part of the United States. The other is the corporate banking business headquartered primarily in New York City. Of these, the corporate banking strategy is part of MUFG's global business. MUFG Union Bank benefits heavily by the capital support from MUFG, the personnel, the technology, the intellectual property and the thinking that come out of the global organization. Accordingly, I think there is synergy that works in both directions.

Q : How do you evaluate the MUFG Re-Imagining Strategy from the standpoint of an outside director?

A : (Myerson) In the environment we face, which includes the aging and shrinking population and relatively slow growth in Japan, I think the Re-Imagining Strategy is absolutely necessary for the future of MUFG. The strategy's basic pillars are to realign businesses along business lines, to digitalize the strategy, and, with forward-thinking, realign our talents and our energies with the customers that we want to serve. The strategy is necessary if we want to retain our status as a leading global bank and continue to be competitive and to win in the future. While the benefits of structural reforms under the strategy may not be recognized immediately, as a member of the Board of Directors, I remain committed to supporting this strategy.

We should give management credit for being straightforward about and publicly disclosing the costs of this strategy very forthrightly and very clearly as I believe that shareholders deserve fair and accurate disclosure.

We are also very mindful of the shareholders' desire for returns. The Board therefore maintains close interaction with management to discuss capital allocation.

Q : Doesn't MUFG need to invest heavily in technology in anticipation of drastic changes in the financial industry?

A : (Myerson) An outside expert recently told us to stop thinking about our institution as a bank and start thinking about our institution as a technology company. Ideas of this sort capture something that's critically important to the future of MUFG. We need to be smart investors and be very proactive in developing our technology platform. As many people have pointed out, we are not spending as much on our technology platform as some of the large U.S. banks. But it's something the Board is very interactive about. We just had a presentation this morning, a board education session for MUFG's outside directors, on the subject of the Bank's digital strategy. We as members of the Board of Directors are interacting with management and attempting to push the agenda because we realize that the impact of technology is going to be absolutely necessary and that it is very important in the focus of our future.

Q : Historically, it has been said that Japanese corporates have put employees above shareholders. What would be your view on that?

A : (Myerson) Our job as members of the Board of Directors is to increase corporate value. Corporate value includes returns of shareholders, as well as customers and employees. I believe that a significant part of corporate value creation is attributable to employees. I often think about MUFG's institution as a talent bank. The most important assets for the corporation are our people but they are not included in the balance sheet. Our corporate value in the future hinges on the quality of the people that we have. Accordingly, our assiduous efforts to recruit, retain, promote and educate our people will help us achieve corporate growth in the future. We also have to be very mindful of the talent bank within our organization.

Now as to shareholder returns, part of the Re-Imagining Strategy is digitalization. Part of the concept of digitalization is going to be efficiency. By enhancing efficiency, we aim to deliver for our shareholders a reduced expense ratio. This is very much on the minds of management and the Board of Directors. So we are very focused on ways to improve the expense ratio by increasing the efficiency of our employees. That's how we can deliver greater value and returns to shareholders via the use of technology. Although the talent portion is critical, we are not prioritizing one group of constituents to the exclusion of others as we are very focused on improving efficiency and returns.

(Watanagase) There are different stakeholders to an institution, including shareholders, customers and employees. So I think the role of a member of the Board of Directors is to ensure that we strike the right balance between the interests of all these different stakeholders, and that's precisely what we have been trying to do.

Q : We have been told that the next three years are critical to the Company. What is your assessment of how quickly the organization can adapt to changes in the environment and accelerate its speed of execution?

A : (Myerson) CEO Nobuyuki Hirano says that we should be thinking about three things: being simple, speedy, and transparent. I think we're doing very well at being transparent. But I think we're not doing as well at being simple or speedy. Ours is a big organization, it's a traditional organization, and change doesn't come as quickly as some of us would wish.

One of the things that we've had active discussions about at the Board is the timing of implementation of the Re-Imagining Strategy. There are quite a number of pillars to it. It's quite complicated. We are urging management to speed it up. The management have heard me say it many times: the world won't wait for us. We have to try to simplify what we're doing. We have to implement quickly.

Although the Re-Imagining Strategy is incredibly thoughtful and strategic, it's only really going to work for us if we can move quickly. Those of us on the Board are very focused on doing everything we can to encourage our management team to implement it quickly, consistent with safety and soundness, so we don't see any compromise to the safety and soundness of the organization.

Q : There has been a lot of examples in Thailand where the corporate governance of banks has been improving. Given this example, what do you think good governance means for bank management?

A : (Watanagase) I was formerly the Governor of the Bank of Thailand, which exercises supervision over the country's banking industry. The governance of a financial institution is the most critical condition that a supervisor would look into. In order to ensure safety, soundness and transparency, in Thailand we put a lot of emphasis on the role of the board of directors. The board of directors' oversight role is critically important in making sure that a financial institution is moving in the right direction. The policy has to be clear and the policy has to be clearly communicated to all stakeholders so that everyone can move forward in the same direction.

In a financial institution, the first line of defense is that you know your risk and then you try to manage your risk. I mean, as a former supervisor, this is what a former supervisor would actively look for in terms of the governance of a financial institution.

I think MUFG has done a good job in terms of improving the governance. The Board of Directors includes more outside directors than internal ones. This is a very good approach in making sure that the management will have different viewpoints from outside directors with diverse experience. We also have diversity in terms of nationalities and gender. These are all the significant contributing factors for the Board of Directors to play a significant role.

Furthermore, the management takes the outside directors' feedback and opinions seriously. For example, we have pre-board briefing sessions so that we have the chance to ask detailed questions. So I think the management is taking the role of outside directors very seriously.

And it's not just diversity at the board level. Forty percent of the workforce of MUFG is in the global market. That is also very diverse in terms of nationality, region and gender. I think these all add up to make MUFG a truly global bank moving forward. Right now, I think it is already one, but going forward the direction will be a bit clearer.

Q : From a viewpoint of non-Japanese outside directors, how do you evaluate MUFG's corporate culture? And what kind of initiatives do you believe the Company needs to adopt going forward?

A : (Watanagase) My assessment is that MUFG is a prudent institution, as a bank you have to be. Maybe that's not surprising. MUFG is very customer-centric. And the staff do very deep thinking when it comes to their business. I think that is very important, especially at this juncture where you see a lot of disruptions and you almost have to turn the bank upside-down and then put in some very new initiatives, which we are doing with the Re-Imagining initiatives. Being prudent is definitely a good virtue under these circumstances.

But going forward I think that speed will become an issue, and this is what the Board of Directors has been intensively discussing. A lot of that is also related to the culture. For example, Japan has a more rigid labor system compared to other countries. Because of this, the speed of adjusting the labor cost is unfortunately constrained. However, our critical challenge going forward is to improve the efficiency. We need to get more staff to move forward a bit faster to take on this challenge.

In terms of the corporate culture, I think the Bank has also come a long way. For example, the female managers account for about 21% of overall managerial positions. I think that is a significant number, and the intention is to further increase that number.

One thing I'd like to point out is that it's not just maternity leave; we also have paternity leave, with the aim of sending a strong message that raising a family is a shared responsibility between the mom and the dad. It is very important for MUFG to get the men involved with raising a family.

I think Japanese society has been trying to get more female labor participation. Also, a number of institutions, including MUFG, have put in place childcare facilities to support female workers. The mindset of society, especially about the role of men, has to change as well. If you don't get the men to help with child rearing and housework, it's very difficult for females to put 100% into their work. This will make a big difference in terms of getting more females to participate in the labor force as well..

(Myerson) On the question of culture, the most important cultural issue is integrity. Starting at the top and throughout the organization, there must be a culture to do the right thing and to conduct business with integrity. I think that's culture issue number one. And I think where other organizations have struggled is leadership that has not shown sufficient integrity in the face of lots of business challenges. There's a large U.S.-based bank that is quite troubled today because they sort of lost their way in terms of integrity and leadership. That's not the case at MUFG.

Secondly, we must be always be aware of what our core competencies are. Not taking excessive risk, we must approach growth in a thoughtful and prudent way.

Looking at a corporate culture issue where MUFG needs to make improvement, I would mention that it is not speedy enough. It also has a traditional personnel system that needs to be improved. I think we need to reimagine our approach to talent and recruiting while introducing more people of diverse backgrounds, as well as people at mid-career. It is essential to find other ways to increase the diversity of our talent.

I fully agree with Tarisa's opinion that gender equity has got to be a critical element, and so we still have work to do. But I like the direction MUFG is heading very much.

Q : What advantages do you think MUFG is expecting to acquire through involvement in U.S. operations, despite the very limited access of Japanese banks to U.S.-dollar funding sources?

A : (Myerson) MUFG has a goal of being a top ten bank in the United States. We have taken some initiatives to increase dollar-based funding, which have actually been quite successful recently. We have taken on the challenges of trying to improve our technology platform. In the United States, MUFG and MUFG Union Bank are the largest foreign banking organization in America, larger than any of the Europeans. We want to be the strongest and most important global bank in the region. We have a lot of work to do to improve the expense ratio, but with prudence and thoughtfulness we are going to be leveraging our platform to increase the business we do. Some of it will be organic. Some of it will be inorganic. We're thereby going to increase our size and presence in the United States.

Q : MUFG has started its Asian strategy by acquiring minority equity stakes in local commercial banks in Southeast Asia. How do you evaluate this approach?

A : (Watanagase) About the Asian strategy, I think the approach is that even when we become a minority shareholder, to the extent possible, we would eventually like to have a major shareholding. However, our equity ratio depends on the timing, the prevailing conditions and the situation. We also have to take the regulatory environment into account. So it's not always possible to do. However, my understanding is that in terms of moving forward in order to have a strong foothold in that region, it is definitely more efficient to be a majority shareholder.

Krungsri in Thailand, for example, is majority-owned by MUFG. Majority ownership is also our intention with the Bank Danamon in Indonesia. This fundamental approach will also apply to other business alliances, say, in Vietnam, the Philippines and other places. I think when opportunities pop up, we will definitely take a look at this issue.

Q : Ms. Watanagase and Mr. Myerson are the first two non-Japanese directors to join the Board of MUFG. We would like to ask about your interaction and engagement with the other board members. Is MUFG culture at the board level truly global? Did you feel comfortable being there from day one?

A : (Watanagase) Absolutely, from day one I have been comfortable at the board meetings. The management is very open-minded. I felt that immediately after I joined the first board meeting. I can see that they really value our role as outside directors and as non-Japanese directors. Documents have always been translated and we are given access to the staff and to the management, regardless of what questions we may have. All around, we receive robust support.

Another thing which is very good is that at the end of the board meeting, there is an exclusive meeting just among outside directors. I sit on the boards of other companies as well. I know few companies, other than MUFG, that set aside time to hold this kind of meeting. Even those few exceptions wouldn't hold them so often. At MUFG, this happens every single time after a board meeting. We always have an outside-directors-only meeting. We discuss among ourselves and identify any issues that we'd like to have collectively put to the management as feedback and we deliberate on issues that we may not have had enough time to examine in the board meeting. Thus, we can come up with more concrete recommendations or opinions to feed back to the management. I find it very encouraging that the management is taking our feedback seriously.

Q : Do you feel the Company's Board of Directors has individuals with the right skillsets to challenge and really face the sort of newer risks that a financial institution can face, particularly on issues like cybersecurity?

A : (Myerson) I think the answer is absolutely yes. A majority of the Board are outside directors, with their area of specialties widely ranging from business management, finance and accounting to law. We consist of people with three nationalities. We also have three female directors out of a total of eight. Two of our committees, the Risk Committee and the Compensation Committee, are chaired by females. Looking at our Nominating and Governance Committee, two of the four outside directors serving as committee members are female. So if you just look at the facts of what the institution is doing, with trying to promote good governance, with diversity of the backgrounds, gender diversity of the composition, I think we're doing very well.

Cybersecurity is a critically important issue. It's one we grapple with in North America. We've just seated a new director at board of MUAH, who comes from a deep technology background. The issues regarding the technology platforms and cybersecurity are very specialized. Our regulators in the United States are insisting that boards of directors adequately prepare themselves to be able to oversee the decisions management is making about technology platforms. So recruiting somebody with technology and cybersecurity background in the future appointment of directors is very much upper-most in our minds because we recognize the importance about it.

Q : How do you evaluate CEO Nobuyuki Hirano as the leader of MUFG? Please also tell us about your views on the criteria required as the leader of MUFG.

A : (Myerson) What we need in the CEO seat is a person with integrity, with vision and with the management skills to be able to implement a plan, because you can have a great plan but if you can't implement it, it's not very useful. I think Mr. Hirano has all of those qualities. I think among his other great strengths are the fact that he is comfortable in the international community, interacting with regulators as well as business partners. And so I think we have a uniquely talented CEO who represents a lot of the strengths that we have and we need.

I would also like to point out that one of the real strengths of the MUFG organization is the incredibly talented people that we have in senior management and throughout the organization. No CEO stays in the seat forever, but in terms of the future leadership of the organization we've got great choices.

(Watanagase) When I was stepping down from my position as Governor of the Bank of Thailand in 2010, one of the media asked me precisely the same question: what is it that is the qualification of a governor? I said three things. Integrity, especially being a central bank governor you have to maintain "integrity" and "independence." Secondly is "vision and leadership." You need to have vision about the organization, about the direction of the organization, and also the leadership to move forward the organization. And my third point was being humble. Maybe this is something in addition to what Toby has just mentioned.

Especially at this juncture, there are many disruptions and changes going on, and you have to have this mindset of being humble. If you feel arrogant that you know everything that is the end of the organization. You need to be humble in order to talk to people around you, all the stakeholders, and learn from everyone, including the investors as well. You need to get all the feedback and you have to have humility to do so.

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