

## Small Meeting with Directors Kaoru Kato and Satoko Kuwabara

### Main Q&A

Q: How would you candidly evaluate the performance of Group CEO Kamezawa and MUFG's top management over the past year?

A: Director Kato: Over the approximately two years since he took office, I have been impressed with Group CEO Kamezawa's willingness to step up, given the ongoing COVID-19 pandemic. Amid the difficult management environment imposed by the pandemic, he has demonstrated appropriate leadership and engaged in clear and astute dialogue with investors. His effective communication within the Board of Directors has been commendable, as well.

Group CEO Kamezawa has performed well in terms of identifying and designating challenges to address and then taking action. In particular, I applaud his decision to sell MUFG Union Bank (MUB), something I had recommended since taking office as outside director. Going forward, I hope to see Group CEO Kamezawa continue to make bold decisions and resolutely advance management, taking new action to enhance the domestic and overseas business portfolio.

Director Kuwabara: Recent business results have been solid, and progress toward the financial goals of the Medium-Term Business Plan (MTBP) warrants a certain amount of praise. These have, in significant part, been attributable to effective executive leadership. The decision to sell MUB was made swiftly to seize the opportunity; there are still several steps before closing, so we in the Board of Directors will continue to provide careful monitoring.

Top management has been steadily advancing Corporate Transformation, which is one of the MTBP's key strategies. This encompasses digital transformation, contribution to addressing environmental and social issues, and transformation of corporate culture. However, such an undertaking will not yield results overnight, and the Board of Directors will continue to monitor this as an ongoing challenge.

Q: For the sake of ongoing growth, do you see any areas in which the Board of Directors requires further enhancement in terms of composition or skill sets? Do you feel that your own experience and expertise are being effectively utilized at the Board?

A: Director Kuwabara: Of the Board of Directors' 16 members, nine - a majority - are outside directors, while four are women and two are foreign nationals, making the Board diverse in terms of gender and nationality.

We have upgraded the skill matrix considering the revisions to the Corporate Governance Code, adding "Global," "IT/Digital," and "Sustainability" to the skills required of MUFG's directors. The current Board is made up of individuals with a well-balanced variety of expertise and backgrounds. However, when looking at the internal directors, diversity, including that of gender, remains a challenge that must be addressed over the medium to long term.

I strive to contribute by leveraging my experience as an attorney, although I feel that, to do so fully, I still need to further deepen my understanding of MUFG's businesses and operating environment. The executives provide ample support in this regard, and I will continue to do my utmost.

Director Kato: The outside directors bring a wealth of diversity in terms of background and insight, and the Board's discussions benefit from a wide range of perspectives. I apply my experience as president of NTTDOCOMO to the Board's discussions, and I receive ample information from within MUFG.

On the skill matrix, I am marked as having skills in "Corporate Management," "IT/Digital" and "Sustainability." When I came on as outside director in June 2019, MUFG was recording impairment on systems, and we often discussed IT and digital-related topics. There is still much to do, and I hope to continue contributing in this area.

MUFG uses the "company with three committees" structure. Matters discussed by the three committees are shared with the Board of Directors, and outside directors other than committee members take part in the committees' discussions when necessary. MUFG has been steadily upgrading its governance structure. This process of upgrading never ends, and I hope to do my part to ensure that MUFG continues moving in the right direction.

Q: Please tell us your views on MUFG's effort to address environmental and social issues. In particular, could you tell us about discussions related to the MUFG Carbon Neutrality Declaration made earlier this fiscal year and initiatives since then?

A: Director Kato: Compared with when I took office as outside director, over the past year and half, the Board of Directors has come to more actively discuss ESG issues. This, along with the rapid decision making of Group CEO Kamezawa, is major reason that MUFG became the first bank in Japan to participate in the Net-Zero Banking Alliance (NZBA).

MUFG has designated "Committed to empowering a brighter future." as its purpose. In

particular, as MUFG seeks to address climate change, given the wide range of opinions from numerous organizations around the world, it will be important to stay carefully attuned to trends and developments so that we can respond with swiftness and precision. I have been told that MUFG plans to work out and disclose what it will be able to do through customer engagement to achieve net zero greenhouse gas emissions not only in MUFG's own operations, but also in its finance portfolio by 2050. I hope that the Board of Directors and the Group will be flexible and responsive to change on this front going forward.

Q: MUFG is making good progress toward the MTBP's ROE target of 7.5%, but achieving the medium- to long-term target of 9% to 10% is more important. What has the Board of Directors been discussing with regard to increasing ROE?

A: Director Kato: We agree that ROE of 7.5% is not enough and are aiming for 9% to 10%. I would like to reiterate that the fiscal 2023 ROE target is an intermediate step along the way to the medium- to long-term ROE target, and that ROE cannot be brought up so quickly. MUFG must rebuild the strength of its domestic business and, from a global perspective, constantly be on the lookout for opportunities. The Board of Directors is keeping the medium- to long-term ROE target in mind as we advance a range of discussions about the business portfolio, including how to use the funds provided by the sale of MUB.

Q: I have heard that MUFG plans to set an interim target for 2030 as part of efforts to achieve net zero emissions in its finance portfolio. What considerations are going into formulating this target?

A: Director Kato: There is still much to be decided regarding measurement methods and decarbonization initiatives, but we are advancing engagement with about 200 companies, mainly in high-emission sectors.

It is important that the interim target not being unrealistic, but there is no point in setting a target that is easily achievable either. MUFG must demonstrate its global leadership by setting a target that clearly indicates real progress toward carbon neutrality and communicating this target to society at large.

Q: How did the Board of Directors discuss the sale of MUB? Was the content and timing of the information provided by the executives adequate?

A: Director Kuwabara: Discussions of the MUB sale were already under way when I took

office in June 2021, but I received information on the key points of the project at each step, which I felt was quite adequate. Whenever there was a major development, the executives provided us with relevant documents and opportunities for discussion.

Director Kato: Since the project got moving, information has been provided in a timely manner, and there have been numerous information sharing sessions in the final stages of negotiation. Even now, information on progress is shared with us appropriately at each step. Reporting has been timely overall, and when reporting of unfavorable information was delayed, directors pointed it out; in response, the executives have worked assiduously to address the issue.

Q: What are your thoughts on the view that outside directors should also receive stock compensation?

A: Director Kuwabara: Stock compensation can make it easier to see matters from the investor's perspective, but it can also negatively affect the objectivity of outside directors. We are not currently discussing stock compensation for outside directors, but it will be considered when we discuss compensation packages under the next MTBP.

Q: Equity holdings account for a considerable portion of MUFG's equity capital. What are your thoughts on the recent reductions of equity holdings?

A: Director Kato: Dialogue with the companies is important when reducing equity holdings. With some companies, MUFG can sell all its holdings at once, while for others, it must sell them bit by bit. MUFG aims to reduce equity holdings worth ¥300.0 billion over three years. Efforts are advancing smoothly; in the first nine months, reduction has already exceeded a third of this target. However, during the Board's discussions, some have voiced the view that these efforts should be taken further. I will continue to carefully monitor this issue as an outside director.

Q: What kind of reports from executives have you received regarding the Russia-Ukraine situation, and what opinions have you expressed as a director?

A: Director Kuwabara: We have received reports from the executives about MUFG's exposure and operations in the area, and I am keeping tabs on the risks facing the MUFG Group. The situation is fluid, but I think that we must make sure to keep our eyes on the decisions that must be made, considering a variety of information to respond carefully. I will continue to

consider reports on the situation from the executives as I provide proper oversight as a director.

Q: What do you think are the challenges that must be overcome to raise the current low price book-value ratio (PBR)?

A: Director Kato: We are working to gradually improve PBR, but it cannot be raised overnight. This is a topic of constant discussion for the Board of Directors, and we will respond to circumstances as they evolve to determine the optimal course of action over the medium to long term. Raising PBR is an important issue that ties into the very core of corporate management, and we will provide careful and rigorous oversight to help ensure progress, but I ask that you give us some time.

Q: In light of your experience as president of NTT DOCOMO, how active would say your discussions with MUFG's internal directors are?

A: Director Kato: Internal directors were from employees in general, so I cannot say there is no possibility that they have been engaging in discussion less actively than they could be. I think that achieving active discussion depends on the messages coming down from the president and the way the president listens to directors. When I was president of NTT DOCOMO, because I myself interacted with the Board in a frank and open way, the Board put forth a variety of opinions, which often proved very useful for business.

It can be difficult to understand what is happening within MUFG from just the discussions of the Board of Directors, but the directors with whom I have been in discussion have been open and direct in expressing their thoughts. I have heard that top management, including the internal directors, held open and lively discussions during the formulation of the MTBP, for example.

Q: Part of the role required of outside directors is to speak on behalf of various stakeholders, but opportunities for direct dialogue between outside directors and shareholders are limited. Please tell us your thoughts on how outside directors and shareholders should communicate.

A: Director Kuwabara: The role of outside directors is to provide their opinions to management and provide oversight of business execution with an awareness of shareholders and other stakeholders. As such, we must keep investor perspectives in mind. I maintain a constant awareness of specific stakeholder concerns partly by receiving reports, but opportunities for

direct dialogue, like today, are also invaluable. I am aware of opportunities for dialogue with stakeholders, and the frequency thereof, as an issue requiring consideration, and I intend to pay heightened attention to the matter going forward.

Director Kato: Not many companies offer opportunities for direct dialogue between outside directors and investors like this. This is an advanced initiative, which I think MUFG should continue. I think it is important to fully involve the other outside directors and executives in discussions of the ways that outside directors and stakeholders engage in dialogue. Incidentally, the opinions expressed by stakeholders and investors to Group CEO Kamezawa and the IR team, including detailed transcripts, are regularly shared with the outside directors, allowing us to stay tuned into shareholder perspectives.

Q: How much training did you receive after taking office as outside directors? Also, compared with your previous experience as outside directors for other companies, are there any aspects of being an outside director at a financial institution that are especially challenging?

A: Director Kuwabara: When I took office, I received intensive training. That training has served me well in my role as outside director, but training alone only goes so far. Further enhancing my understanding of the management environment and other topics requires diligent work on my part and, at times, input from the executives. Continued effort on both sides is crucial.

Financial institutions present unique difficulties, such as dealing with global regulations. By combining my knowledge as an attorney with the knowledge of the other outside directors, based on their diverse backgrounds, I strive to help increase corporate value.

Q: MUFG's ROE has been persistently low. Have the current compensation plans for directors and officers proven ineffective in driving ROE improvement? Please tell us about issues you see with the current compensation plans and ways they could be improved.

A: Director Kuwabara: We need to pay close attention to the effectiveness of compensation plans for directors and officers, but changes will be considered when we are formulating the next MTBP. The current plans include a mechanism for adjusting compensation based on the degree to which the 7.5% ROE target is achieved. This includes a hard cut-off at 7%; that is, if ROE falls short of 7%, achievement for that indicator is treated as zero. The plans do therefore incentivize directors to achieve the ROE target, but we will continue to discuss the structure and incentives of compensation going forward.

Q: Do you think that MUFG's stock could be undervalued due to a gap between market expectations and the pace of corporate change? Should the Board of Directors be putting more pressure on executives to accelerate change?

A: Director Kato: Based on their respective knowledge, the outside directors express their frank and unsparing views - including those on the slowness of change - to management. On the other hand, culture and mindsets at MUFG have been gradually changing, as exemplified by the sale of MUB, the MUFG Carbon Neutrality Declaration and the designation of MUFG's purpose. The executives take seriously and act on the issues brought up by the outside directors. This is not restricted to the area of financial management indicators, but extends to work processes, mindsets, and the relationships between company and individual. However, please understand that it will take a little more time for significant results of such efforts to appear in ROE or PBR.

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